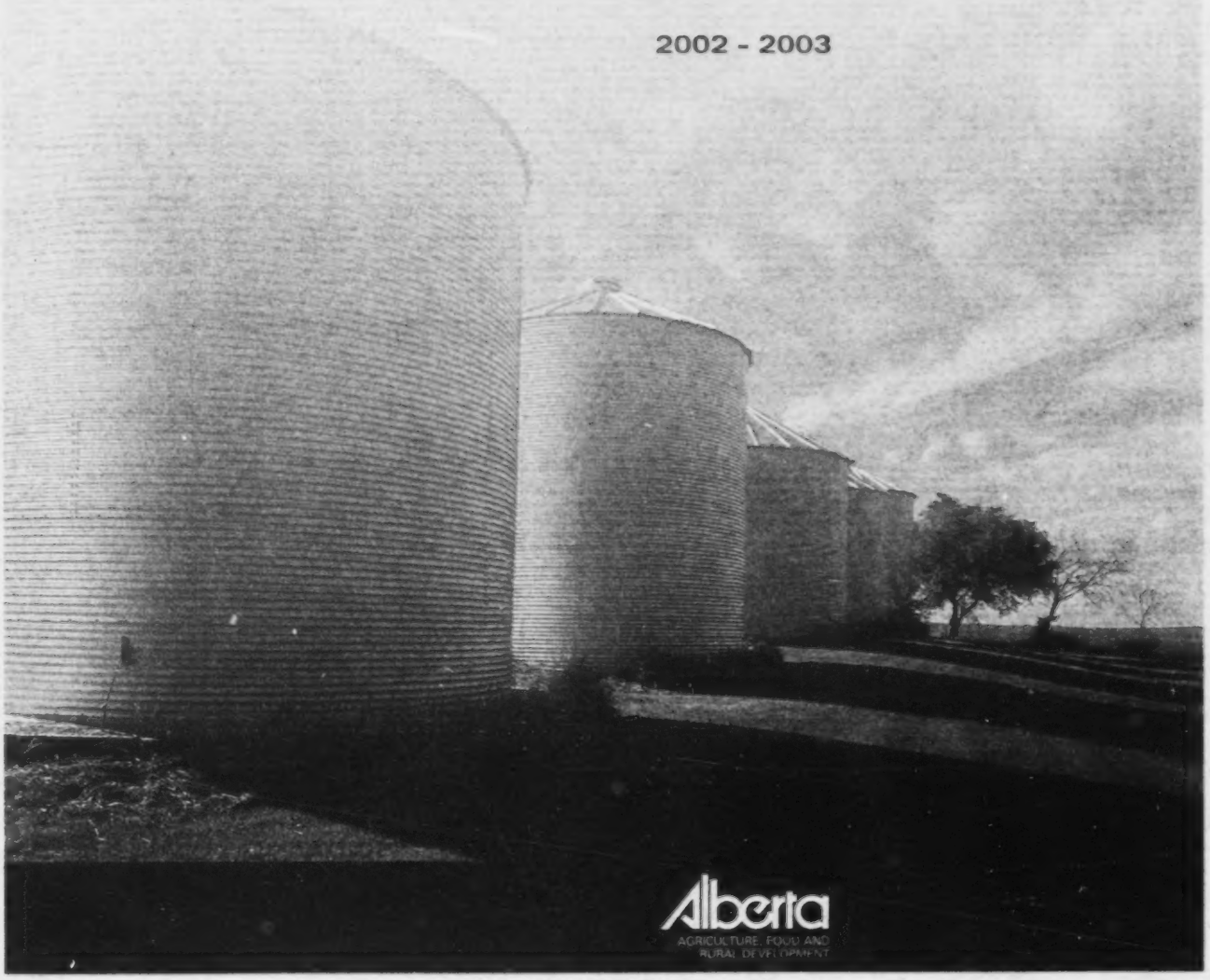
Alberta Agriculture,

Food and Rural Development

Annual Report

2002 - 2003



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Preface

Public Accounts 2002-2003

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

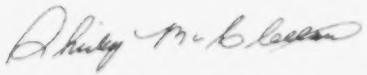
The annual report of the Government of Alberta released June 24, 2003, contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Agriculture, Food and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture, Food and Rural Development, regulated funds and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2003, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 2, 2003, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Shirley McClellan

Deputy Premier and
Minister of Agriculture, Food and Rural Development

September 2, 2003

Message from the Minister

What a year 2002-2003 has been for the Ministry of Agriculture, Food and Rural Development! The last year has seen some significant challenges to our food and agriculture industries. Together, we can be proud of the work this department has done to respond to those challenges.

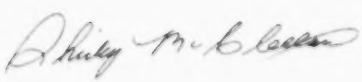
An annual report is a kind of report card that examines the initiatives, core businesses, functions, goals and performance measures of the past year. It is an opportunity to reflect on all we have achieved and look forward to next year's endeavours.

Despite another year of devastating drought, there was some good news in our industry. Over the past year, employment in food and beverage processing increased 23 per cent. According to Farm Credit Canada, farmland values are on the rise in Canada, with a 1.8 per cent increase in Alberta during the last half of 2002.

Various safety net programs, including the Agriculture Drought Risk Management Plan and the Grasshopper Control Program, as well as many other new and existing programs, were developed to encourage the success and sustainability of our agriculture and agri-food industry. The Rural Development Initiative and the Agriculture Research and Innovation Strategic Framework are other examples of this Ministry's commitment to supporting and enhancing our province's agriculture industry and rural communities.

I know that the coming year will bring its share of fresh challenges. I am confident that the team at Alberta Agriculture, Food and Rural Development will continue to tackle them with a positive attitude and the same unquestionable aptitude they have always demonstrated in the past.

I am very pleased with the strategies and initiatives outlined in this report, and would like to thank Ministry staff and our industry partners for their tireless efforts on behalf of our agriculture and agri-food industry.



Shirley McClellan

Deputy Premier and
Minister of Agriculture, Food and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes:

- *Department of Agriculture, Food and Rural Development*
- *Crop Reinsurance Fund of Alberta*
- *Agriculture Financial Services Corporation*
- *Alberta Dairy Control Board (during a portion of fiscal 2002 only)*
- *Alberta Grain Commission*
- *Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

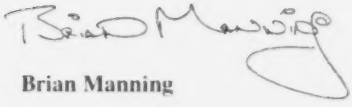
Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture, Food and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control that give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,

- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Agriculture, Food and Rural Development any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.



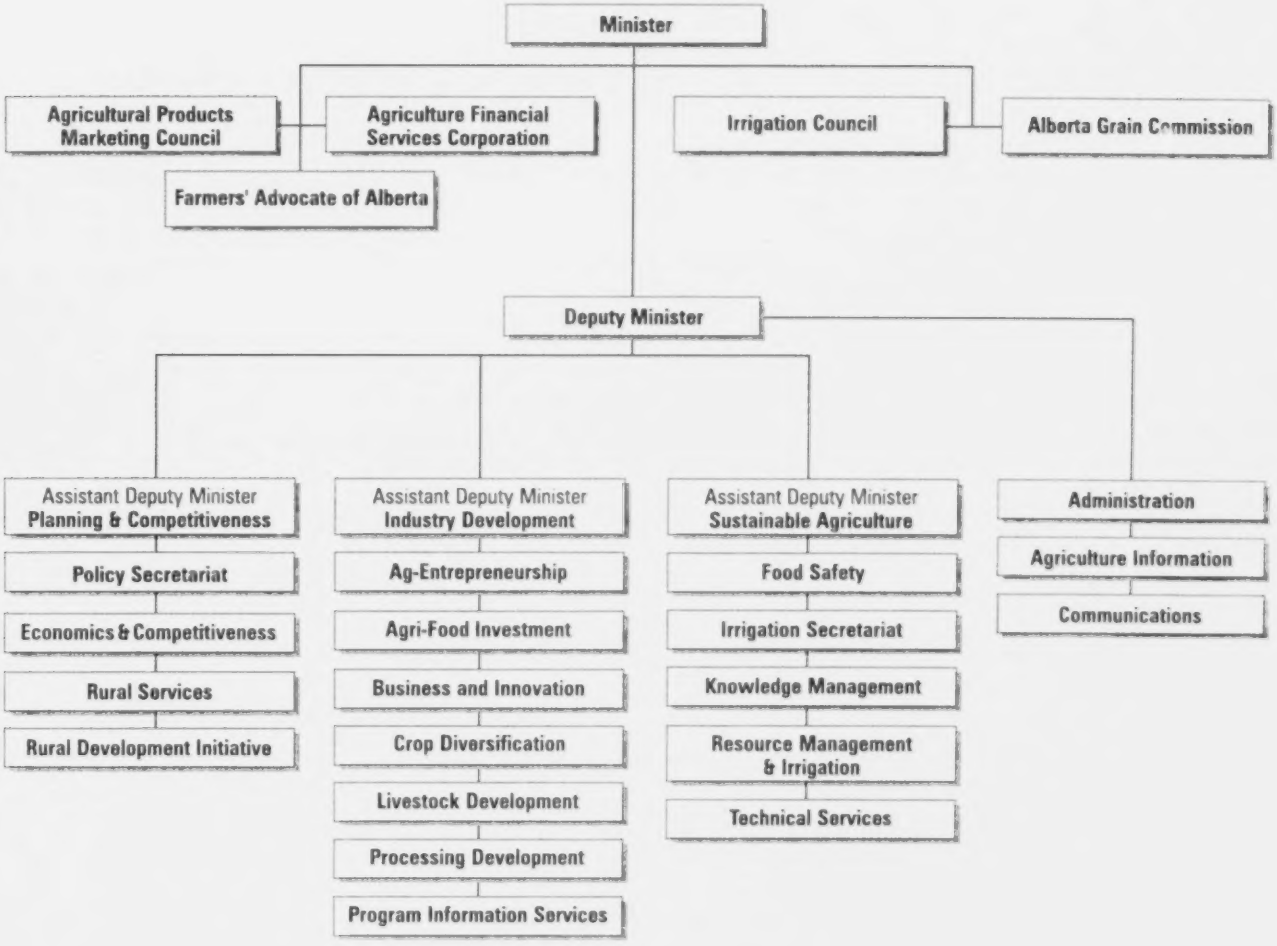
Brian Manning

Deputy Minister
Ministry of Agriculture, Food and Rural Development

September 2, 2003

Overview

Chart of Ministry Entities



Entities – Ministry of Agriculture, Food and Rural Development

Department

The Ministry is divided into the Department of Agriculture, Food and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate the development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities. Visit the Ministry web site at **http://www.agric.gov.ab.ca**

Administration Division

Responsible for all revenues and expenditures, development and review of financial systems and procedures, coordination of the budgetary process and coordination of facilities required for the working environment of departmental staff.

#307, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2151

Develops and administers human resource programs (staff and organization development, occupational health and safety, classification and compensation, recruitment and selection, employee relations and pay and benefits administration) to advise and assist line management in achieving its strategic objectives.

Provides effective support services to the Department in the area of electronic data processing development, maintenance and use.

Agriculture Information Division

Responsible for the planning, development, organization and evaluation of information programs including publishing, multi-media, executive communications and corporate communications. The Division also administers the Ministerial Action Request System and Freedom of Information and Protection of Privacy. The Division is responsible for Records Management.

#100A, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2727

Communications Branch

#100A, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-7099

Provides communications planning and consulting support to the Minister, Deputy Minister and Department. Develops and implements public communications programs that support the Department and the government through cross-ministry initiatives in meeting its business plan goals. Manages media relations, including the province-wide distribution of news releases and coordination of Department announcements and news conferences.

Planning and Competitiveness Sector

Policy Secretariat

#300, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2070

Provides advice and recommendations and undertakes corporate projects to improve the policy and planning decisions of the Ministry. The Secretariat examines domestic, national and international policies, assesses their potential impact on Alberta's agriculture and food industry and makes recommendations on how the Ministry should respond to these challenges. The Secretariat currently concentrates on emerging issues in trade, innovation/biotechnology, research, environment, land use planning and domestic policy.

Economics and Competitiveness Division

#303, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7311

Provides economic data and analysis expertise to assist the Alberta industry to optimize opportunities in agri-food products and services. Functions include applied economic and competitiveness analysis, benchmarking/forecasting source data as well as analysis of international markets, consumer behavior and emerging industry trends. Building upon economic and market research, the Division formulates strategies and calculates economic impacts for agriculture and food issues.

Responsible for playing an advocacy role for Alberta's agriculture and agri-food industry at key forums, conferences and bilateral discussions with U.S. states and other priority trading partners.

Rural Services Division

#200, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-9167

Responsible for the delivery of several farm income assistance programs, Farm Fuel Benefit Program, Alberta Farm Credit Stability Program, Feeder Association Loan Guarantee and disaster compensation under the federal Disaster Financial Assistance arrangements. Also responsible for program policy development, program evaluation and negotiating and managing federal cash flow requirements under federal/provincial/territorial safety net agreements and managing Alberta's obligations under specific federal/provincial bilateral companion agreements.

Promotes community-based, economically sustainable rural development by directing and supporting rural organizations and services such as agricultural service boards, agricultural societies, agricultural development committees, 4-H clubs and councils and recommending policy in rural development.

Responsible for coordinating and delivering educational, leadership and training programs such as 4-H, Green Certificate, employment experience programs, home study, agriculture in the classroom and farm safety in partnership with communities and other agriculture organizations.

Rural Development Initiative

The unit is responsible for managing the process to develop a framework to facilitate the creation of a rural development strategy for the Province. The unit assists the Assistant Deputy Minister Cross Ministry Committee in coordinating the development and implementation of strategies and actions to support rural development in ministry business plans through the implementation of a cross-ministry initiative. The unit also provides input and liaison in partnership with the federal government to establish a national rural policy framework.

#200, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-4920

Industry Development Sector

Ag-Entrepreneurship Division

Strives to foster the people who create and develop new products and enterprises (including new services, technologies and uses) through diversification, access to new markets and/or adding value to existing products. The Division delivers results by leading projects that inspire new agri-entrepreneurs, expand the capacity of existing agri-entrepreneurs, cultivate new networks and remove barriers that impede agri-entrepreneuership growth and development.

4709 - 44 Avenue
Stony Plain, Alberta T7Z 1N4
(780) 968-3512

Agri-Food Investment Division

Attracts new investment to establish and expand agri-food processing and primary production in Alberta. Assists companies/investors to identify and evaluate investment opportunities, locate sources of capital, develop industry partnerships/alliances/joint ventures, complete feasibility studies and select site locations. Supports municipalities in the development of water/wastewater infrastructure for agricultural processing and administers funding under the Municipal Industrial Wastewater Infrastructure Program.

#304, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7366

Business and Innovation Division

Promotes the growth and prosperity of Alberta's agriculture, agri-industrial and agri-food industries. The Division's team of experts combines business knowledge with technical expertise to guide clients to maximize profits and growth. Works with producers, agri-processors and affiliated associations to capitalize on market opportunity, open doors to new markets and assist in the development of new products and/or processes, all with a focus on business management strategies.

The Division's mandate is to help producers and agri-processors grow their businesses, resulting in a stronger Alberta agricultural industry.

#304, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-3166

Crop Diversification Division

Helps Alberta producers increase their net returns through research and extension of better cultivars, production methods, crop options and risk reduction. Administers the weed control and bee acts to keep Alberta's crop industry secure and prosperous. The Division collaborates with various industry and educational institutions to increase quality, diversity and global competitiveness of the crop industry.

17507 Fort Road
R.R. #6
Edmonton, Alberta T5B 4K3
(780) 415-2311

Livestock Development Division

#204, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2166

Supports growth in the livestock, livestock products and forage industries by providing new technology to adjust to shifts in consumer demand and to remain competitive with other areas of the world. The Division uses applied research and information packages to support access to global markets. Collaborates with the design and implementation of safe food production systems, and collaborates with industry and the Technical Services Division to facilitate improvements in sustainable livestock production systems.

Processing Development Division

6309 - 45 Street
Leduc, Alberta T9E 7C5
(780) 980-4862

Focuses on value added processing of agriculture commodities through laboratory development and pilot plant scale-up to develop new products, establish new technologies and improve existing processes. The work is done through the four units: the Food Processing Development Centre, the Centre for Agri-Industrial Technology, the Food Science and Technology Program and the Sensory Evaluation Program.

Program Information Services Division

#304, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 644-2401

Provides leadership in setting the strategic direction of the Industry Development Sector, identifying major growth opportunities for the industry/Department and partnering with Innovation and Science in the implementation of Alberta's Agriculture Research and Innovation Framework. Operates the Alberta Ag-Info Centre, which serves as contact point for commercial agricultural inquiries from producers and others in the Alberta agriculture community.

Sustainable Agriculture Sector

Food Safety Division

#300, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-6159

Provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation.

Includes partnership in food safety emergency response; support for development of on-farm production protocols; assistance with Hazard Analysis Critical Control Point program implementation for slaughter and food processing plants; inspection of provincial slaughter plants; dairy farm inspection; food safety surveillance, animal health surveillance; research into food safety, animal health, crop and soil issues; and provision of essential non-routine diagnostic services.

Irrigation Secretariat

#328, Provincial Bldg.
200 - 5th Avenue South
Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5176

Provides administrative support to the Irrigation Council, administers the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts Act*.

Knowledge Management Unit

Coaches, mentors and facilitates Department staff in ways to improve their knowledge and information management practices to enhance the collective ability of staff to provide timely and valuable information, products and services to the Department's clients.

#202, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-1821

Resource Management and Irrigation Division

Provides policy advice and oversees the planning, delivery and evaluation of irrigation management and development as well as environmentally sustainable agriculture programming.

Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. Also manages the Alberta Environmentally Sustainable Agriculture program.

#206, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-4596

Technical Services Division

Directs and coordinates programs and policies to support the sustainable growth of the agriculture industry through research, testing and evaluation of technology and equipment, development of legislation and technical standards for confined feeding operations, and quality farm water supplies for domestic and livestock use.

Program areas include livestock welfare, engineering services, on-farm water management and environmental practices related to sustainable livestock and crop production.

#204, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-0674

Agencies, Boards and Commissions

Agriculture Financial Services Corporation (AFSC)

AFSC delivers a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta. It offers unique financial products and services not provided by others in the industry.

AFSC provides crop, forage and hail insurance, plus waterfowl and wildlife damage compensation, to help Alberta farmers protect against production losses on their farms. It also administers the Farm Income Disaster Program and the Canadian Farm Income Program, whole farm safety net programs that compensate for disastrous declines in farm income.

AFSC offers agriculture financial services such as farm loans and business analysis services for beginning and developing farmers, financial counseling and disaster financing for those facing disastrous reductions in farm production or income. AFSC also offers facilitation and sourcing of financing for companies in the agri-food and value added industry, and loans to the small business sector.

AFSC produces a separate annual report.

Lacombe Central Office
5718 - 56 Avenue
Lacombe, Alberta T4L 1B1
(403) 782-8200

Camrose Central Office
4910 - 52 Street
Camrose, Alberta T4V 4E8
(780) 679-1311

Alberta Grain Commission

#305, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7329

Provides continuous review of all facets of the grain and oilseeds industry in Alberta for the purposes of recommending policy. Provides a daily grain price information service.

Alberta Dairy Control Board

Was responsible for administering the *Dairy Board Act* and regulation, hearing appeals from the dairy industry and generally providing an independent sounding board for the dairy industry. Formulated policy recommendations, initiated legislative changes and formulated procedures that governed the dairy industry in Alberta and Canada. The operations of the Alberta Dairy Control Board were privatized to Alberta Milk in August 2002.

Irrigation Council

#328, Provincial Bldg.
200 - 5th Avenue South
Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5176

Makes recommendations to the Minister on irrigation district related matters. Approves expenditures under the Irrigation Rehabilitation Program and monitors irrigation district activities as outlined in the *Irrigation Districts Act*.

Agricultural Products Marketing Council

#305, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2164

Advises the Minister on matters relating to the establishment, operations and control of the boards and commissions established under the *Marketing of Agricultural Products Act*. Provides assistance and advice to boards and commissions in support of their efforts in the areas of market development, research and promotion.

Farmers' Advocate of Alberta

#305, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2433

Provides the Minister with information on issues concerning rural Albertans. Works closely with agricultural interest groups, Alberta Environment, Resource Development, Municipal Affairs, Infrastructure and other levels of government to formulate policy recommendations and procedures that affect the rural community. Provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that impact rural Albertans. Administers the *Farm Implement Act*.

Funds

In accordance with the Canada-Alberta Crop Insurance Agreement, two crop reinsurance funds were established. On behalf of the Province, AFSC administers the provincial fund called the **Crop Reinsurance Fund of Alberta**. Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. Contributions to and withdrawals from the Funds are made in accordance with the terms and conditions of the agreement.

Operational Overview

Ministry's Core Businesses

The Ministry contributes to the government's three core businesses: people, prosperity and preservation. Alberta Agriculture, Food and Rural Development's primary focus is on the second core business: prosperity – working with others to promote prosperity for Alberta through a strong, competitive agriculture and food industry that is sustainable and environmentally responsible.

Ministry core businesses:

- Facilitate industry growth
- Enhance rural sustainability
- Provide safety nets

Costs for Core Businesses

(unaudited)

Agriculture, Food and Rural Development
Ministry Expense by Core Business

(thousands of dollars)

Core Businesses	2002-2003 Estimates	2002-2003 Actual
Facilitate industry growth	$324,514	$336,800
Enhance rural sustainability	36,103	38,800
Provide safety nets	365,675	1,448,000
Ministry expense	**$726,292**	**$1,823,661**

Each of the five Ministry goals contributes to the achievement of these core businesses. The results constitute the role of Alberta Agriculture, Food and Rural Development in contributing to the Government of Alberta's core performance measures. The Results Analysis section of this annual report presents a comprehensive discussion of the Ministry Goals, the contributions to the Cross Ministry Initiatives, Performance Measures and Results of Operations for the fiscal year 2002-2003.

Major Ministry Functions

- Applied research
- Technology transfer
- Regulatory
- Industry development
- Risk management
- Lending

Award for Innovation

The success of the Alberta Government was recognized through the Gold Award for Innovative Management presented by the Institute of Public Administration in Canada (IPAC). This significant award recognizes the innovative management practices the Government of Alberta has been employing, and all ministries are proudly displaying the IPAC logo.

Division/Agency Changes

On August 1, 2002, the Alberta Dairy Control Board was dissolved. The rights, assets and liabilities were transferred to Alberta Milk. The operations of the Board have continued under this independent Board established under the authority of the *Marketing of Agricultural Products Act*.

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all Ministry entities:

Actual Results Compared to Budget

(millions of dollars)

	2002-2003 Budget	2002-2003 Actual	2001-2002 Actual
Revenues	$457	$910	$648
Expenses	726	1,824	1,233
Excess of expenses over revenues	**269**	**914**	**585**

AUDITOR GENERAL
Alberta

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Legislative Assembly

In connection with the Ministry of Agriculture, Food and Rural Development's performance measures included in the *2002-2003 Annual Report of the Ministry of Agriculture, Food and Rural Development*, I have:

1. Agreed information from an external organization to reports from the organization.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2002.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit and therefore I express no opinion on the performance measures included in the *2002-2003 Annual Report of the Ministry of Agriculture, Food and Rural Development*.

FCA
Auditor General

Edmonton, Alberta
September 5, 2003

Results Analysis

Results of Operations

The Ministry's financial results show consolidated revenues of $909.8 million in 2002-2003, which is a $261.5 million increase in revenues from 2001-2002, and $453 million higher than budget. Consolidated expenses increased to $1,823.7 million. This figure is $590.5 million higher than in 2001-2002. The net operating result was an excess of expenses over revenues of $913.9 million, which is $329.3 million higher than in 2001-2002 and $644.4 million higher than budget.

Revenues

Revenues increased by 40.3 per cent from the previous year. They were up $261.5 million and, as noted above, were $453 million higher than budget.

Revenue exceeded budget mainly because of the collection of reinsurance proceeds and recoveries that was triggered by the most severe drought conditions in recorded history. These severe conditions also triggered higher Farm Income Disaster payments and resulted in increased federal contributions for the program. The Ministry also collected funds from the federal government representing Alberta's share of Canadian Farm Income Program allocations that would have been made to Alberta had the Province not introduced other farm income support programs that reduced Farm Income Disaster payments.

Revenue picture highlights include the following:

- Transfers from the Government of Canada increased from the prior year by $147.1 million. This amount is comprised primarily of $171.6 million in recoveries from the Crop Reinsurance Fund of Canada for Alberta; $42.9 million representing increases in the Federal share of Farm Income Disaster Program payments; a $23.4 million increase in the federal share of crop insurance premiums; and $88.5 million in Canadian Farm Income Program allocations owing to Alberta as outlined above. These increases were offset by reductions representing the $178.6 million in federal contributions for the Canada-Alberta Farm Income Assistance Program in 2001-2002.
- Reinsurance recoveries increased by $69.8 million to support unprecedented insurance payments resulting from severe drought conditions.
- Premiums from insured persons were $14.6 million higher than budget and $37.0 million higher than 2001-2002 receipts due to higher than anticipated participation and coverage levels.
- Interest and investment income was $6.8 million lower than 2001-2002 and $1.3 million less than budget primarily due to reduced balances in the insurance funds.
- Fees, permits, licenses and other income was $2.7 million higher than budget and $4.6 million less than 2001-2002.
- The $5 million increase in internal government transfers from 2001-2002 was used to support the delivery of grants to Agricultural Service Boards.

- Restricted revenues from the operations of the Dairy Control Board were $18.6 million higher than budget and $13.1 million higher than 2001-2002 due to the assumption of responsibility for milk coordination and delivery subsequent to budget finalization. These revenues were collected in the operation of price equalization pools or under various agreements and were restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds were to be used. The increase in revenue was offset by a corresponding increase in restricted expenses. The operations of the Dairy Control Board were privatized to Alberta Milk on August 1, 2002.
- Other non-budgeted revenues collected by the Dairy Control Board were $5.7 million, $1.1 million more than in 2001-2002. These amounts consist primarily of revenues collected for milk hauling services. As mentioned above, the operations of the Dairy Control Board were privatized to Alberta Milk on August 1, 2002.

Expenses Compared to Budget

Expenses were $1,097 million higher than budget primarily as a result of increased crop insurance and disaster payments resulting from severe weather conditions and increases in restricted expenses resulting from the assumption of responsibility for milk coordination and distribution.

- Insurance expenses were $646.1 million over budget. Record payments were made to program participants in response to the most severe and widespread drought conditions experienced throughout Alberta in recorded history. Additional funding required to deliver insurance programs was approved through supplementary estimates.
- Farm Income support payments were $438.3 million over budget. Additional assistance was provided to help producers through the worst drought in recorded history. These expenses included claims paid under the Farm Income Disaster Program (FIDP), Farm Income Assistance Program (FIAP) payments in response to disastrous agricultural conditions, payments under the Alberta Farm Water Program (AFWP), and the Grasshopper Control Assistance program. Additional funding required to deliver FIDP, FIAP, AFWP and the Grasshopper Control Assistance Program was approved through supplementary estimates.
- Industry Development expenses exceeded budget by $3.9 million. $1.4 million was allocated to Applied Research and Forage associations. Other increases were primarily a result of costs associated with finalizing restructuring initiatives.
- Sustainable Agriculture expenditures exceeded budget by $2.5 million. The sector incurred one-time expenditures to purchase specialized food safety, dugout pumping and weather monitoring equipment.
- Reduced primary production resulted in lower than anticipated sales of farm fuel. Consequently, Farm Fuel Distribution Allowance expenditures were $3.5 million lower than budgeted.
- Lending expenses were $2.9 million lower than budget resulting from lower than anticipated participation in the program.
- Infrastructure assistance expenditures include payments to support both the irrigation and municipal wastewater infrastructures within the province. Higher than anticipated payments for irrigation programs were partially offset by lower than anticipated payments for municipal wastewater projects. Infrastructure assistance expenditures were $1.2 million higher than budget.
- Ministry support services expenditures were $1.2 million higher than budgeted primarily resulting from higher than anticipated expenditures associated with information technology initiatives.

- Debt servicing costs were $8.4 million lower than budgeted resulting from lower than anticipated participation in lending programs.
- Valuation adjustments were $2.0 million lower than budgeted as provisions for losses on lending portfolios were substantially reduced.
- Restricted expenses were $23.6 million over budget due to the assumption of responsibility for milk coordination and delivery subsequent to budget finalization. These expenses comprise payments in accordance with agreements imposing stipulations that specify the purpose for which funds are to be used. This increase in expense was offset by a corresponding increase in revenues. The operations of the Dairy Control Board were privatized to Alberta Milk on August 1, 2002.
- Other non-budgeted expenses from discontinued operations comprised of milk hauling and administration costs incurred prior to privatization were $6.3 million. As mentioned above, the operations of the Dairy Control Board were privatized to Alberta Milk on August 1, 2002.

Expenses Compared to 2001-2002

Expenses were up $590 million from last year. Highlights of the spending picture for 2002-2003 compared to 2001-2002 are as follows:

- Insurance expenses were $547.4 million higher than those in 2001-2002. Record payments were made to program participants in response to the most severe and widespread drought conditions experienced throughout the province in recorded history.
- Farm Income Support payments were $36.4 million higher than in 2001-2002. Assistance was provided to help producers through the worst drought in recorded history. These expenses included claims paid under the Farm Income Disaster Program (FIDP), Farm Income Assistance Program (FIAP) acreage payments in response to disastrous agricultural conditions, payments under the Alberta Farm Water Program (AFWP), and the Grasshopper Control Assistance Program.
- Industry Development expenses were $0.4 million higher than in the prior year.
- Sustainable Agriculture incurred one-time expenditures to purchase specialized food safety, dugout pumping and weather monitoring equipment. As a result, expenditures were $2.1 million higher than in the prior year.
- Planning and Competitiveness expenditures were $1.6 million higher than in 2001-2002. These increased costs were the result of administrative expenditures associated with the ongoing delivery of prior years' ad hoc farm income support programs.
- Farm Fuel Distribution expenditures were $1.0 million lower than in 2001-2002.
- Lending expenses were $1.7 million lower than in the 2001-2002 due to lower than anticipated participation in the program.
- Infrastructure assistance program expenses were $2.9 million more than in 2001-2002 as a result of increased support for irrigation infrastructure projects.
- Ministry support services expenses were $3.9 million lower than in 2001-2002. In 2001-2002, severance payments associated with restructuring initiatives resulted in the higher expenditures.
- Debt servicing costs were $5.7 million lower than in the prior year due to lower participation in borrowing and lower lending rates on borrowing.
- Valuation adjustments were $2.3 million lower than in prior years due to reduced provisions for losses on lending portfolios.

- Restricted expenses were $13.1 million higher than 2001-2002 expenditures due to the assumption of responsibility for milk coordination and delivery. These expenses comprise payments in accordance with agreements imposing stipulations that specify the purpose for which funds are to be used. This increase in expense was offset by a corresponding increase in revenues. The operations of the Dairy Control Board were privatized to Alberta Milk on August 1, 2002.
- Other expenses from discontinued operations comprised of milk hauling expenses and day-to-day administration costs prior to privatization were $1.1 million higher than in 2001-2002. As mentioned above, the operations of the Dairy Control Board were privatized to Alberta Milk on August 1, 2002.

Subsequent Developments

Subsequent to fiscal year end March 31, 2003, on May 20, 2003, the Province confirmed that a single cow had tested positive for Bovine Spongiform Encephalopathy (BSE) as a result of Canada's ongoing BSE surveillance program. This event has resulted in the temporary closure of the United States' and other countries' borders to the importation of Canadian cattle, beef and related products. Consequently, the market price of cattle has seriously declined causing severe income losses and hardship to the beef industry in Alberta.

Alberta Agriculture, Food and Rural Development officials are working in partnership with officials from other government departments, provinces and the Federal Government to ascertain what enhancements to food safety surveillance systems may be required. Future business plans will take into consideration the potential impacts of these developments.

Readers are directed to the Ministry's Ropin' the Web site, http://www.agric.gov.ab.ca for further information on the status of this situation.

Performance Measures Summary

In conjunction with the move to goal-based planning for the 2002-2005 business planning period, the Ministry's performance measurement framework was also updated. Performance measures from prior years are now reported only in the business plan as "indicators" of the relative status of Alberta's agriculture and food industry. More specific measures have been established, or are under development, and will continue to be refined during future business planning and reporting cycles, for each of the Ministry's goals.

When the 2002-2005 business plan was approved, targets were established based on the results of research conducted at the time, which included a forecast of the results anticipated for the 2001-2002 fiscal year. Results for 2002-2003 are presented as the final column in the tables to provide the reader with the understanding that the targets were established in fiscal 2001-2002 and will continue to be revised in future plans.

Results for the majority of the measures in this report exceed the 2001-2002 forecast results and appear to be progressing at a rate that will support the achievement of 2004-2005 targets. However, those measures influenced by the results of primary production demonstrate the impacts of current significant challenges in our agriculture and food industry, including onging widespread drought and, more recently, the global reaction to confirmed instances of animal disease.

The targets that appear in the 2003-2006 business plan have been adjusted in response to information available at the time the business plan was finalized. Adjustments to actions in response to ongoing monitoring of performance may not be sufficient to allow for the achievement of some of the targets presented in the plan.

Explanations of the sources and methodologies used to collate results data are provided in a discussion at the end of the Results Analysis section.

Core Business 1: Facilitate Industry Growth

Goal 1: Growth of the Agriculture and Food Industry

The Ministry contributes to the Growth of the Agriculture and Food Industry by facilitating new and diversified product development, enhanced market access for agriculture and food industry products and improved agriculture and food industry business services, including access to capital, risk management tools, business and entrepreneurial processes, and enhanced infrastructure.

The measures outlined below were designed to be quantitative assessments of the Ministry's ability to facilitate opportunities for the Ministry's primary clients.

Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Value of diversified crop production based on all crops other than wheat, barley, canola, forage and grass seed, hay and clover	$504 million	$671 million	$588 million
Number of value added products newly introduced to the market through the use of the Ministry's Leduc Food Processing Development Centre	100	110	110
Pork production based on the five-year average of producer cash receipts	$430 million	$570 million	$449 million
Cattle production based on the five-year average of producer cash receipts	$3,000 million	$3,600 million	$3,386 million
Value of new investment in primary agriculture	$776 million	$812 million	$704 million
Value of new investment in processing industry	$147 million	$156 million	$96 million
Amount of beginning farmer loans	$123 million	$150 million	$89 million
Number of agriculture and food industry sub sectors for which competitiveness benchmark criteria are established	2	5	3

Goal 2: Continued Excellence in Food Safety

The Ministry contributes to Continued Excellence in Food Safety by promoting safe food production and processing practices throughout the supply chain.

The measures attached to this goal recognize the importance of monitoring the adoption and implementation of food safety process control systems for and in partnership with the agriculture and food industry.

Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Number of active surveillance sampling programs that identify the incidence of food contaminants or residues	5	10	14
Percent of Alberta production from Alberta chicken farms, hog farms and beef feedlots produced under nationally recognized on-farm food safety (OFFS) programs			
• Chicken farms	0%	90%	
• Hog farms	0%	90%	
• Beef feedlots	0%	74%	not available*
Percent of Alberta licensed/permitted food processing plants that have implemented Hazard Analysis Critical Control Point (HACCP) systems			
• Meat (slaughter)	0%	6%	
• Dairy	0%	10%	not available*

* Awaiting national response before implementation can be measured

Core Business 2: Enhance Rural Sustainability

Goal 1: Improved Environmental Stewardship

The Ministry contributes to Improved Environmental Stewardship through essential policy, legislation, information and services related to soil conservation, water quality, air quality, range management, climate change and biodiversity.

The measure attached to this goal monitors the implementation and continued utilization of stewardship practices within the industry resulting from training efforts supported or facilitated by the Ministry.

Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Percentage of respondents who have adopted improved stewardship practices (formal evaluation every three years)	63%	68%	Data not available*

* Results from the next formal evaluation of industry practices will be available in August 2004.

Goal 2: Strengthened Rural Communities

The Ministry contributes to Strengthened Rural Communities through its involvement in facilitation and leadership development, and by acting in a coordinating role.

The measures for this goal target increases in both the number of participants and community activities that take place in rural communities as a measure of the Ministry's ability to contribute to the continued and or enhanced viability of these communities.

Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Number and diversity of agricultural related community activities			
• Agriculture Events			373
• Agriculture Business			113
• Agriculture Education			152
• Leadership Development		Under	432
• Community Improvement	Not available	development	222
Number of people participating in agricultural related community activities			
Number of volunteers			
• Agriculture Events			11,054
• Agriculture Business			997
• Agriculture Education			757
• Leadership Development			2,562
• Community Improvement			4,252
Number of attendees			
• Agriculture Events			326,550
• Agriculture Business			50,355
• Agriculture Education			8,341
• Leadership Development		Under	29,612
• Community Improvement	Not available	development	30,108
Number of ministries participating in single point of access through offices and other delivery channels*	Not available		

* This measure has been dropped from future business plans as a result of the Ministry's inability to collect reliable data to support the measure.

Core Business 3: Provide Safety Nets

Goal 1: Effective Safety Net Programming

The Ministry contributes to effective Safety Net Programming through the provision of safety net funding to allow farmers the opportunity to adopt the most economically viable management practices for their area.

The measures attached to this goal are intended to report on the effectiveness of safety net programming through monitoring ongoing participation and rates of satisfaction. As satisfaction is, at least in part, determined by the speed with which clients receive payments under the respective programs, the measures also monitor administrative proficiency through average number of days to process payments.

Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Percentage of customers satisfied with program delivery			
• Crop Insurance			88%
• Farm Income Disaster			87%
• Farm Lending			97%
• Commercial Lending	Not available	80%	89%
Percentage of eligible seeded acres represented by farmers insured under crop insurance programs	75%	75%	76%
Average number of days to process a disaster program payment	40.21 days	Improve by 2% a year to 37.85 days	12 days*

* Represents ad hoc disaster program payments made on behalf of Municipal Affairs only.

Future Challenges

The Ministry's measures are intended to show the effects the Ministry has on the three core business areas; however, measures are also impacted by significant influences that remain beyond the role and scope of Ministry programs and staff. The Ministry will continue to be challenged to refine its measurement processes to better isolate the reporting of its efforts to achieve its goals.

Major influences on Alberta's agriculture and food industries:

Weather

Weather has a major effect on the production of agriculture commodities in Alberta. A look at crop insurance program payments will show the variance this factor can introduce. Back in 1995, widespread drought caused crop insurance payouts to increase to $251 million. However in the 1999 calendar year, payouts were only $62.3 million. The year 2000 was also very dry, and payouts totaled $161 million. Continued dry conditions and widespread drought in 2001 increased payments to over $225 million. The year 2002 saw the most widespread and severe drought Alberta has experienced in recorded history. Payments exceeded $800 million.

Commodity Prices

The combination of long-term, downward trending commodity prices and upward trending input prices further eroded margins. This situation will continue to place an additional burden on producers' ability to remain in business.

Federal Government Programs and Policies

The future growth of Alberta's agriculture and food industries continues to be affected by federal government programs and policies. The reduction or removal of impediments inherent in federal programs and policies requires the ongoing work of Ministry staff along with their federal counterparts. For example, Alberta farmers marketing their grain continue to be affected by issues around grain transportation and marketing constraints and regulations.

To address some of these joint concerns, federal and provincial safety net programs and policies continue to be considered through bilateral agreement negotiations that will support the implementation of the Agricultural Policy Framework. Bilateral agreements will address in more detail the issues affecting each agreement's area of the agriculture and food industry.

The level of the Canadian dollar relative to the U.S. dollar, while generally beneficial to international exports leaving Alberta, has meant continued increases in input costs, particularly for those items imported from the U.S. A majority of the machinery, equipment and agricultural chemicals used on Alberta farms and ranches comes from U.S. manufacturers. However, an increase in the value of the Canadian dollar means a concern for Alberta exporters.

Government Programs and Policies of Other Countries

Markets in other countries are crucial to Alberta agriculture and food industries. As such, Alberta industries are significantly affected by both existing and future programs as well as policies in other countries. For example, continued trade wars among the U.S. and European countries continue to have an adverse effect on the amount and value of Alberta exports. The new U.S. Farm Bill, with significant increases in expenditures supporting U.S. farmers, will further affect agriculture in this province.

The international demand for agriculture commodities changes constantly and significantly. In part, these alterations are due to changes in government programs and policies in other countries. Consequently, Albertans representing agriculture and food industries must continue to search for new markets. Without new markets, the forecast potential for growth will not occur.

Consumer Tastes, Social Norms and/or Standards

Changes in consumer tastes and demand can result in significant challenges. Since Alberta has a strong reliance on exporting agriculture and food products, producers must respond to these changes.

The food product industry must meet a particular challenge in that changing consumer demands often require significant lead time for research and development. For example, the move from producing rapeseed to canola took more than 10 years to complete. In today's fast-paced society, consumer tastes can and do change more quickly.

Issues around animal welfare, the environment, biotechnology and additional resource issues such as air, land and/or water will continue to affect the future direction of agriculture and food in this province. Social norms can drive significant changes in how these industries produce agriculture and food products, both in Canada and around the world.

The globalization of agriculture markets places Alberta producers and manufacturers at greater risk with regard to changing views, concerns and beliefs on what foods are safe and which ones are not. Food safety concerns have the public on alert, and the agriculture and food industries must address these concerns. More recently, terrorist attacks have placed governments on alert to threats to public safety in all industries. Similarly, the longer-term impacts on the industry of the global reaction to confirmed instances of animal disease such as foot-and-mouth and the transmissible spongiform encephalopathy family of diseases are uncertain.

Core Businesses, Goals and Measures

The Ministry contributes to the government's three core businesses: **People, Prosperity and Preservation**. Our primary focus is on the second core business – working with others to promote prosperity for Alberta through a strong, competitive agriculture and food industry that is sustainable and environmentally responsible.

The functions of the Ministry are aligned with government core businesses through three Ministry core businesses:

- Facilitate industry growth
- Enhance rural sustainability
- Provide safety nets

Core Business 1: Facilitate Industry Growth

This core business:

- Relates to the core government business of **Prosperity**.
- Relates to the opportunities for Alberta's primary agricultural production to grow to $10 billion and value-added industry to grow to $20 billion by 2010.
- Promotes the adding of value from production to finished consumer goods.
- Facilitates development of essential policy and legislation.

Core Business Cost **$ 336.8 million** (unaudited)

Goal 1: Growth of the Agriculture and Food Industry

This goal recognizes that industry growth is the outcome of long-term profitability arising from a competitive agriculture and food industry focused on market opportunities. The Ministry contributes to this goal by facilitating new and diversified product development (primary and value-added food and non-food products), enhanced market access for agriculture and food industry products and improved agriculture and food industry business services, including access to capital, risk management tools, business and entrepreneurial processes, and enhanced infrastructure.

Goal 1 Expense **$323.2 million** (unaudited)

The largest components are the restricted expenses incurred in accordance with agreements with the dairy industry of $150 million and lending expenses of $79 million. Other expenditures include $43 million dedicated to industry development initiatives and $27 million directed to irrigation infrastructure support.

Strategy

Enhance the development of new products and processes to assist industry in capturing additional value-added market opportunities.

Results

- In cooperation with AVAC Ltd., established a partnership that facilitates new agri-value innovation. The joint venture dedicates eight staff to be AVAC program coaches. Sixty-three company visits in the first term of the agreement resulted in 16 New Idea Builder applications under review and 7 applications submitted.
- Partnered with the Alberta Food Processors Association to develop and deliver the New Markets, New Products program. Forty companies utilized the program to reduce the risk of entering new markets.
- Successful launch of a new marketing program tailored to producers looking to market new value added products for the first time. Clients gained marketing insight and knowledge enabling the successful launch of new Alberta products. The client-focused program walks emerging entrepreneurs through workshops, industry tours and tutoring. It has already assisted clients to place products in retail, specialty retail and hotel, restaurant and institutional segments.
- The Alberta Farmers' Market Vendor and Consumer Profile and Economic Impact Study completed. Results and recommendations have been presented to the Alberta Farmers' Market Association.
- In cooperation with the Peace Ag Value Added Strategy Group, a basic feasibility assessment was completed on a Peace Country Food Lab, a business plan and marketing materials were developed for Branding the Peace, and an industry committee was established to evaluate the feasibility of building a transportation container site in the South Peace.
- The Conjugated Linoleic Acid (CLA) network has completed their strategic plan and has raised $1.9 million in funding for the research components in developing a CLA-enhanced dairy product. An international workshop was held in Winnipeg to link production and product development research and expertise with human health and nutrition research.
- Barley Flour Commercialization project resulted in product development, sensory analysis, compositional data and marketing plans for five new bakery products.
- The Aquaculture Centre of Excellence was established in partnership with the Alberta Fish Farmers Association and Lethbridge Community College to create new information for developing viable fish farming opportunities in Alberta.

Strategy

Encourage industry competitiveness through improved market assessment, analysis, products, technologies, infrastructure and services that enhance production, business, economics and processing efficiencies.

Results

- Completed 96 product development projects for the food processing industry.
- Two new technologies adopted by the food processing industry.
- Six new food processing companies were established.

- The Alberta Canada Livestock Welfare Research Partnership was formed in partnership with Agriculture and Agri-Food Canada and the livestock industry – 22 research projects, attracting $1.4 million dollars of external funding, were initiated in the first year of the partnership.
- Successful completion of a two-year project to shift marketing control of the dairy industry away from government and into the hands of industry. August 1, 2002, saw the repeal of the *Dairy Board Act* and the formation of Alberta Milk under the *Marketing of Agricultural Products Act*.
- Alberta Elk was established as a refundable producer commission to enhance the development of Alberta's elk industry.
- The Agriculture Opportunity Fund resulted in the allocation of $1.4 million in funding to Applied Research Associations and Forage Associations.
- In partnership with and through the Alberta Irrigation Projects Association and its 13 member districts, completed the development of and data compilation for an Irrigation District Infrastructure Management System that quantifies the value and physical condition of all irrigation district water management infrastructure.
- Provided technical water management consultation and analysis to six irrigation districts in their consideration of the opportunities and risks of expanding their irrigation land bases.
- The Alberta *Fusarium graminearum* Management Plan was developed, approved and took effect on October 1, 2002. Several training sessions were delivered province-wide to producers, field staff and the agricultural industry. Regulatory consultation was provided to Agricultural Fieldmen and municipal councillors.
- In partnership with Agriculture and Agri-Food Canada, the grasshopper risk assessment map was published, which assisted producers in taking proactive measures in dealing with the pest.
- A provincial pest survey network, comprising many stakeholders, was formed. Survey data and maps were placed on the Ministry web site to alert producers and the industry to potential pest outbreaks, so proactive measures could be taken.
- The Alberta/Canada Barley Development Project celebrated its tenth year of operation in 2002. The program is committed to the development of cereal crops through breeding, genetic, molecular, physiological and agronomic research.
- Infrastructure owned by Alberta's 13 Irrigation Districts provides water delivery for over 1.3 million acres of irrigated land, 48 communities, over 5,000 rural residences, industrial users, recreational areas and fish and wildlife habitat. Irrigation Council approved projects to be funded from the department's $19 million Irrigation Rehabilitation Program base funding to support this reliable water delivery infrastructure, which provides multiple opportunities for agricultural producers and processors.
- Completed a competitive intelligence study on the responses of international rendering industries to animal disease outbreaks and transferred knowledge to internal clients for use in strategy development.
- Communicated regularly with key agriculture counterparts in the U.S. through bilateral meetings and multi-state forums such as the Tri-National Accord, Montana Alberta Bilateral Advisory Council, North American State Departments of Agriculture, Pacific North West Economic Region, and Western Association of State Department of Agriculture.
- Mandatory provincial testing for Chronic Wasting Disease (CWD) in cervids was introduced and testing was performed. The national standards for the CWD Herd Certification Program were implemented.
- Participated in West Nile surveillance for horses and crows and developed the provincial West Nile Virus Response Plan.

- In collaboration with industry and other governments, enhanced market opportunities by managing and resolving trade issues/disputes involving exports of dairy, wheat and potatoes, implementation of the U.S. Farm Bill, as well as proposed U.S. regulations regarding country of origin labeling and food security.
- Encouraged marketing choice for wheat and barley producers by assisting industry in developing strategies and actions for change.
- Fulfilled the Ministry's commitment to the Regulatory Reform initiative by reviewing 50 regulations, which means all 145 regulations that are the responsibility of the Ministry have been reviewed at least once. The focus of the review was on improving efficiency, reducing industry compliance costs, simplifying procedures and speeding up the approval process.
- The new Agri-Processing Branch Incentive program encouraged seven companies to investigate expansion and growth opportunities.
- In partnership with the Agriculture and Food Council, through the Value Chain Initiative, four value chains were established. This business strategy has enabled the industry to access new markets.
- Twenty-three companies accessed 27 skilled employees, not available in Canada, through the Provincial Nominee Program offered in partnership with Alberta Economic Development.
- A strong partnership with the Alberta Food Processors Association resulted in the development of several new industry-targeted programs and initiatives that address barriers to growth such as market development, leadership, executive development and worker training.
- Alberta's Agriculture Research and Innovation Strategic Framework was approved by Standing Policy Committees and Cabinet. The Framework was developed by a multi-stakeholder team comprised of individuals from industry, research performers, research funders and government.
- Developed a draft industry Growth Strategy that articulates the industry opportunity of a $20 billion value added agriculture industry and a $10 billion primary industry by 2010. The strategy identifies areas of potential growth and significant constraints or barriers that will require resolution if industry opportunities are to be achieved.
- Provided technical support and testing that led to commercialization of a bloat control product "Alfasure," which will increase beef production by encouraging greater use of alfalfa in pastures.
- Completed a study that identified availability, quality and costs of forages from strategic locations in Canada and the United States, to assist livestock producers with feed shortages during drought.
- Over 35 scientific publications were produced from the research findings in 2002 including 11 papers published in refereed scientific journals, 20 publications in conference proceedings, 1 final project report, 4 scientific reports and technology transfer publications.
- Partnered with Statistics Canada and Agri-Food Canada in the development of key Alberta estimates such as farm income and expenses, crop yield and production, livestock inventories, sales and values.
- Competitiveness information development and delivery continued within the beef industry, in respect to benchmarking the cost of production. This work has resulted in addressing efficiencies with the value-chain and increased knowledge requests from producers in the area of analyzing the unit cost of production as well as economies of scale.
- A drought risk management committee developed and delivered over 30 information documents through the Ministry web site. These documents provided producers with information on managing through the drought and supported the Ag-Info Centre in answering 3,500 technical calls during the peak drought period.

Strategy

Enhance diversity of commodities, products and services through targeted research and information transfer to improve production and business efficiencies.

Results

- 76,000 clients were provided with information through the Alberta Ag-Info Centre. In a survey of 865 clients, 94.8 per cent expressed satisfaction with the service.
- Increased awareness of the potential for managed woodlots and hybrid poplar production was achieved through workshops, trade shows, woodlot demonstration sites and media articles.
- The first stand-alone research aquaponic facility in Western Canada was established. Aquaponics represents a new way to grow greenhouse crops and creates a new niche market for high value produce.
- Conducted market/consumer assessments of niche opportunities including organics, medicinal herbs and essential oils, pet foods, carrot processing, functional foods and nutraceuticals for fruits and vegetables, farm direct marketers survey and food services.

Strategy

Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation, lending products and providing risk management tools and training.

Results

- Through information and assistance with regulatory requirements and financial options, 10 pork and beef production projects, with an investment potential of over $200 million, are expected to proceed.
- To facilitate new investment in the processing industry, assisted one new establishment and four expansion projects in the meat processing, snack and specialty foods sectors to evaluate options, overcome issues and commit capital. These projects totaled $40.5 million.
- Financial assistance of $315,000 was approved for two rural municipalities to conduct feasibility or to develop water/wastewater projects that will enable the expansion of agri-processing facilities in their communities.
- Agri-food investment opportunities were investigated through the following industry and product evaluations: confectionary manufacturing, carrot processing, fresh pork and bacon competitive advantage and import replacement of processed meat and ready meal products in Alberta and Western Canada.
- Partnered with the Alberta Capital Region to provide support to the Project Germany initiative to attract investment from Europe. Ministry worked with 15 identified agri-food investment leads, facilitated several incoming missions and encouraged scientific investigations related to new product development at the University of Alberta. Two major incoming missions including nine food processors from Austria and six ag-industrial companies from Germany were facilitated.
- Legislative changes were championed to create the opportunity to form New Generation Co-ops as a method for raising capital for pooled investments. Four New Generation Co-ops have formed in Alberta. Barriers to the success of New Generation Co-ops have been identified, and are now being addressed.
- A Meat Processing Opportunity Model was developed and introduced to industry. This financial assessment tool will enable Ministry staff to work with meat processing companies to determine the feasibility of a specific project including labor requirements, processing yields, capital costs and operating expenses.

Goal 1 Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Value of diversified crop production based on all crops other than wheat, barley, canola, forage and grass seed, hay and clover	$504 million	$671 million	$588 million
Number of value added products newly introduced to the market through the use of the Ministry's Leduc Food Processing Development Centre	100	110	110
Pork production based on the five-year average of producer cash receipts	$430 million	$570 million	$449 million
Cattle production based on the five-year average of producer cash receipts	$3,000 million	$3,600 million	$3,386 million
Value of new investment in primary agriculture	$776 million	$812 million	$704 million
Value of new investment in processing industry	$147 million	$156 million	$96 million
Amount of beginning farmer loans	$123 million	$150 million	$89 million
Number of agriculture and food industry sub sectors for which competitiveness benchmark criteria are established	2	5	3

Goal 2: Continued Excellence in Food Safety

This goal recognizes that a reputation for excellence in food safety is essential to maintain consumer confidence and expand markets, both domestic and international. The Ministry contributes to this goal by promoting appropriate safe food production and processing practices throughout the supply chain.

Goal 2 Expense $13.6 million (unaudited)

Expenditures were incurred to deliver agri-food surveillance, regulatory services, safe food assurance and agri-food laboratories programs. Resources were also allocated to support emerging food safety issues.

Strategy

Develop and maintain targeted food safety surveillance systems that validate the safety of Alberta's agriculture and food.

Results

- Fourteen targeted surveillance projects identifying food contaminants or residues were undertaken. Examples include: transmissible spongiform encephalopathy surveillance; meat product safety; pork antibiotic residues; *Campylobacter* in poultry; E. coli O157:H7 in cattle; antimicrobial resistance in federally inspected meat facilities, feedlot cattle and cull ewes; and *Salmonella* in layer chickens, dairy cattle and pork.

- Continued development of analytical techniques for residue and rapid pathogen detection to support food safety surveillance and the promotion of the safety of Alberta's agri-food products (for example sulfamethazine, tetracycline, macrolides antibiotic residue testing in honey, and sulfonamides, sulfamethazine and tetracycline antibiotics in pork).
- Reviewed and continued support for the National Poultry Health Program.
- Developed the concept of a baseline study of microbial hazards in provincially inspected red meat facilities.
- Continued to provide analytical support for toxicology tests currently not being offered by the private sector.
- Initial results from pork residue studies indicate that antibiotic residues in Alberta pork were very rare and similar to national levels and occurrences.

Strategy

Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.

Results

- Partnered with food processing, transportation, distribution and retail industries to assist companies in understanding how to validate and verify their Hazard Analysis Critical Control Point (HACCP) programs.
- Supported 13 commodity groups (beef, swine, poultry, dairy, horticulture and grain) in their efforts to implement national On-Farm Food Safety programs.
- One hundred per cent of meat slaughter plants have HACCP prerequisites in place and are awaiting national standards to be accepted by the Canadian Food Inspection Agency to determine the HACCP system that would be best for facilities to implement.
- All dairy facilities have been audited against provincial standards and have implemented corrective actions in response to the identification of concerns.

Strategy

Develop and administer essential policy and legislation.

Results

- Ensured that food safety standards in meat products were met by inspecting over 3.7 million carcasses from Alberta licensed red meat and poultry plants.
- Ensured compliance within regulatory requirements by investigating 396 incidences of food safety complaints, providing information and proceeding with prosecution if appropriate.
- Consulted with abattoir operators, livestock industry organizations and other government departments and completed the review of the Meat Inspection Regulation.
- Reviewed and extended the Purchase and Sale of Eggs and Egg Products Regulation and the Hatchery Supply Flock Approval legislation.
- Completed amendment of the Dairy Industry Regulation.
- Commenced review of the Acts and Regulations administered by Livestock Identification Service Ltd. and review of the *Livestock Diseases Act*.
- Participated in completion of the development of the National Meat and Poultry Regulation and Code.
- Participated with Emergency Management Alberta in a crisis management initiative and provided representation for development of the Ministry's Alberta Counter-Terrorism Crisis Management Plan and outbreak contingency planning exercises.

Strategy

Develop and transfer knowledge and technology in support of safe food production.

Results

- Achieved ISO accreditation of 26 laboratory scopes in the Ministry's Chemistry and Biology laboratories.
- Investigated rapid testing methods for food borne pathogens.
- Published paper on "Salmonella muenster Infection in a Dairy Herd" in the Canadian Veterinary Journal.

Strategy

Provide information, training and other programs that enhance food safety awareness and emergency response.

Results

- Maintained and updated Food Safety Division web sites.
- Continued to partner with Canada Alberta Partners in Food Safety to enhance the emergency response and crisis management.
- Partnered with Alberta Health and Wellness and the Canadian Food Inspection Agency in an investigation of food borne illness associated with unpasteurized cheese.
- Eggs identified infected with Salmonella enteritidis were diverted from retail.
- Meat inspectors received training in Hazard Analysis Critical Control Points (HACCP) principles. Provide awareness and training in HACCP and biosecurity to Ministry staff, agri-food industry personnel and the public.
- Participated in the National Technical review process for On-Farm Food Safety systems.
- Partnered with Emergency Management Alberta in their crisis management initiative for the food-processing sector.
- Continued implementation of meat facilities standards guidelines in slaughter and processing plants.
- Certified 132 individuals under the Production Animal Medicine Regulation. Certification provides assurance that lay staff involved in the sale of drugs in licensed retail outlets have sufficient knowledge about the products being sold to ensure they are used in a safe and responsible manner.
- Published 23 refereed papers, interim and final project reports to funders, conference proceedings, posters, fact sheets and popular articles.
- Provided food processors and others with HACCP videotapes to help them develop food safety and quality control programs.
- Published new information products on antimicrobial resistance.
- Produced media releases on handling and storing food safely.
- Broadcast radio messages to provide the public with tips and advice on the safe handling of food.

Goal 2 Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Number of active surveillance sampling programs that identify the incidence of food contaminants or residues	5	10	14
Percent of Alberta production from Alberta chicken farms, hog farms and beef feedlots produced under nationally recognized on-farm food safety (OFFS) programs			
• Chicken farms	0%	90%	
• Hog farms	0%	90%	
• Beef feedlots	0%	74%	not available*
Percent of Alberta licensed/permitted food processing plants that have implemented Hazard Analysis Critical Control Point (HACCP) systems			
• Meat (slaughter)	0%	6%	
• Dairy	0%	10%	not available*

* Awaiting national response before implementation can be measured

Progress includes

- **Chicken OFFS program:** National program has been successful in its technical review. Chicken producers: 15 per cent production audited. Producers representing 90 per cent of production have taken the course for program adoption.
- **Pork OFFS program:** National program has not been technically reviewed. Hog producers: 60 per cent of production has been audited; 85 per cent of production has implemented the program.
- **Beef OFFS program – Feedlot:** National program has not been technically reviewed. Beef feedlot producers representing 10 per cent of production have taken the course for program adoption.

Core Business 2: Enhance Rural Sustainability

This core business:

- Relates to the core government businesses of **Preservation, Prosperity** and **People**.
- Relates to maintaining and improving agriculture's physical and human resource base.

Core Business Cost $ 38.8 million (unaudited)

Goal 1: Improved Environmental Stewardship

This goal recognizes it is the responsibility of the Ministry to support the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well-being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, range management, climate change and biodiversity.

Goal 1 Expense $18.3 million (unaudited)

The majority of these expenditures were incurred in the areas of environmentally sustainable agriculture, conservation and development and various legislative initiatives related to soil conservation, water quality, air quality, range management, climate change and biodiversity.

Strategy

Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable.

Results

- Completed two Beneficial Management Practices manuals for the hog and feedlot industry to help producers reduce their impact on soil, water and air.
- Developed eight fact sheets to help build industry understanding of the management and control of odour from livestock operations.
- Developed 'Manure Application and Use Guidelines' for comprehensive manure management practices on farm.
- Nutrient Management Curriculum published and delivered through a series of 'train the trainer' workshops.
- Publication of *Water Wells That Last* and a *Dugout Manual* were completed to support the development of sustainable on farm water supplies.
- A Ground Water Information Database and a web-based sprayer calculator were developed.
- Initiated development of a department-wide, land and climate Global Information System, to support key initiatives such as the Agriculture Drought Risk Plan for Alberta, the Agro-Climatic Atlas of Alberta and other web-based decision support tools.
- Industry training and communication programs and tools were developed to support extension activities related to environmental sustainability in the agriculture sector.
- Four issues of Green Matters, a newsletter to engage stakeholders regarding environmental issues within the agriculture industry, were published.
- Conducted a "Rewarding Stewardship" conference with over 100 farmers, ranchers, rural conservation extension staff, and other agency personnel in attendance.

- Provided financial and technical support for the development of the industry-led Environmental Farm Plan (EFP) program. Technical and communications support was provided for development of the EFP manual and training of the facilitators and technical advisors. The EFP was launched on February 18, 2003, and is fully operational.
- Twenty-one partnerships were developed through the AESA Program between 61 agricultural service boards and 23 producer groups, watershed groups and applied research associations that resulted in the hiring of 26 full time and 14 part-time rural conservation extension staff that work directly with local farmers and ranchers to deliver community-based extension programs.
- Developed greenhouse gas related Information Bulletins and Brochures, and updated the *Greenhouse Gas Mitigation Workbook* to support the National Greenhouse Gas Mitigation Program.
- Partnered with Olds College to develop a distance learning program and web site to address greenhouse gas mitigation in agriculture.
- Worked with partners and local watershed groups to maintain beneficial management practices demonstration sites in the Battersea Drain and Lower Little Bow River watersheds as part of the Oldman River Basin Water Quality Initiative.
- In conjunction with partners, submitted three scientific papers to refereed journals on changes in groundwater quality in the Battersea drainage basin, enhanced prairie wetland effects on surface water quality in Crowfoot Creek, and on land use and water quality relationships in the Lower Little Bow River watershed.
- Factsheets were prepared and distributed on surface water quality in the Battersea Drain (1999-2002), Lower Little Bow River (1999-2002), Crowfoot Creek (2000-2001) and on groundwater quality in the Battersea drainage basin.
- Broadcast over 200 radio interviews and messages on environmentally sustainable practices.

Strategy

Support and conduct applied/adaptive research and evaluations to find economically sound, environmentally friendly technologies and management practices for crop and livestock production and agricultural processing.

Results

- In partnership with research institutions, government departments and industry, undertook research projects in particulate emissions from feedlots, manure and livestock mortality composting, manure incorporation under various tillage practices, and alternate uses of manure including power generation.
- Partnered in Phosphorous research and completed Manure Application to Forages project to support the industry in better management of manure as a nutrient.
- Initiated an Odour Control project and completed the Lagoon Odour Emissions Study to measure odour and evaluate odour control technologies.
- Partnered in the Canada/Alberta Crop Development Irrigation Research Farm, to support conservation practices under irrigation.
- Completed agriculture sprayer evaluation projects focused on reducing and optimizing the use of chemicals to lower the cost of production and reduce environmental impacts.
- Undertook assessments of on-farm water treatment technologies to improve on-farm water quality.
- Completed studies to evaluate agricultural beneficial management practices to protect surface water quality.
- Continued to monitor nitrous oxide (a greenhouse gas) emissions under different crop management systems and landscapes.

- Continued to assess the state of knowledge of agricultural greenhouse gas research for the Prairie Region to support a greenhouse gas science plan and update the greenhouse gas inventory for agriculture.
- Maintained long-term sustainable cropping studies at Three Hills.
- Conducted applied research on manure incorporation methods and runoff water quality, use of vegetative buffers for water quality protection, use of a constructed wetland for management of feedlot runoff, and development of recommendations for agronomic manure and compost management during the fifth year of the Oldman River Basin Water Quality Initiative.
- Worked with partners to develop a Strategic Plan and detailed Action Plan for the next five-year phase of the Oldman River Basin Water Quality Initiative.

Strategy

In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.

Results

- In partnership with the livestock industry and the Natural Resources Conservation Board, developed extension materials and delivered presentations on the *Agricultural Operation Practices Act* to inform producers on the impacts of the legislation. These included a Reference Guide, and information for cow-calf producers and existing operators.
- Worked with partners to move forward on developing soil phosphorus limits for all agricultural lands in Alberta. Eight small watersheds were selected and instrumented to monitor runoff volumes, soil test phosphorus levels, and dissolved phosphorus concentrations in runoff, from a variety of soils and landscape types in Alberta.
- Worked with Alberta Environment and Alberta Sustainable Resource Development in preparation of numerous background information reports for public education on various water-related topics, and in modeling water demand for irrigation for Phase Two of the South Saskatchewan River Basin Water Management Plan.
- Worked collaboratively with Alberta Environment and other key ministries in developing the "Water For Life" initiative.
- Amendments were made to the *Irrigation Districts Act* and its associated regulations, facilitating the continued effective and efficient operations of Alberta's 13 irrigation districts.

Strategy

Monitor the effect of the agricultural production and processing industry on soil and water quality.

Results

- Monitored 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the impact of the agricultural industry on surface water quality. A provincial report was prepared rating the water quality for the low, medium and high intensity agricultural areas.
- Completed the fifth year of monitoring 42 benchmark sites in the agricultural area of Alberta along with projects on soil risk assessment, database development and soil quality assessment. Developed procedures for producing wind and water erosion risk maps for agricultural lands.
- Monitored surface water quality at more than 20 stations in the Battersea Drain and Lower Little Bow River watersheds as part of the Oldman River Basin Water Quality Initiative.
- Monitored groundwater quality at 17 stations in the Battersea drainage basin, the most intensive confined livestock and poultry feeding area in Alberta.
- Worked with partners in establishing eight water quality and flow monitoring sites within the Special Areas Water Supply Project.

Goal 1 Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Percentage of respondents who have adopted improved stewardship practices (formal evaluation every three years)	63%	68%	Data not available*

* Results from the next formal evaluation of industry practices will be available in August 2004.

Goal 2: Strengthened Rural Communities

This goal recognizes that vibrant and sustainable rural communities are one component of a prosperous province. The Ministry contributes to this goal through its involvement in facilitation and leadership development, and by acting in a coordinating role. A cooperative effort to ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders is necessary for community prosperity.

Goal 2 Expense $20.5 million (unaudited)

Expenditures were incurred to deliver 4-H programs, educational and community services and rural development initiatives.

Strategy

Provide leadership development for youth and people actively engaged in agriculture and community organizations.

Results

- Together with the federal Rural Secretariat, organized a rural youth-focused Town Hall meeting with the Federal Secretary of State. The increased profile for rural youth in Alberta will lead to further initiatives in the next year.
- Leadership Programs focused on agricultural and community organizations and funded through the Agricultural Societies Grant Program increased by 20 per cent compared with 2001-2002.
- Based on the evaluations submitted at the completion of programs, 96 per cent of 4-H leadership and member program participants reported a gain in knowledge, attitude, skills and aspirations as a result of their participation in the program.
- 88 Volunteer 4-H committees and councils across Alberta contributed to the development new 4-H project resources and policy, contributed to National 4-H initiatives and assisted in the delivery of provincial 4-H programs, activities and conferences.

Strategy

Facilitate the development of sustainable communities, organizations and agricultural businesses that are networked, flexible and adaptable and that manage change proactively and positively.

Results

- Played a key role in assisting the Communities of Opportunity group in eastern Alberta get organized and focused on a community economic development plan directed at revitalization of their rural communities.
- Together with the MLA Steering committee for Rural Development, conducted 18 consultation sessions with Albertans to identify the issues and draft a vision for rural Alberta to 2015. These consultations provided the groundwork for a rural development framework document.

- The Agricultural Initiatives program provided $2.3 million in grant funding to 57 capital and program projects in rural communities; 291 Agricultural Societies received $8.7 million from the Agricultural Societies Grant program.
- Agricultural Service Boards received $5.0 million in grant funding and provided support, consultation, advice and information on various agricultural issues.
- The Agricultural Development Committees were restructured into four regional committees with 65 appointed members that held 15 hearings across Alberta.
- Rural communities, businesses and organizations were provided access to information and resources to educate individuals on the challenges and opportunities of the agriculture industry and to encourage leadership and sustainable development through:
  - Farm Safety programs involving five Train the Trainer sessions and eight Rural Safety Day Camps with attendance of about 1,200 children.
  - The City Slickers program in which 900 inner-city students participated, with 100 per cent satisfaction reported by teachers.
  - The sale of 1,500 Home Study products to individual clients, plus nine site licenses for software at 270 terminals for multiple participant use including new products of COWCHIP$ software, Weed Management Course and partnered on Quality Dugouts.
  - Raised agriculture awareness in the classroom through a review of the Ag Ambassador initiative, resulting in an active network of 350 teachers and a signed cooperative agreement with EPCOR to provide educational resources and teacher training.
  - Formalized consultative process involving Growing Alberta, Ag Education Network and Alberta Learning to address the agriculture outcomes in core curriculum to help educate individuals on the challenges and opportunities of the agriculture industry.
  - Developed an Ag Awareness web site to provide teachers access to current agriculture information.
  - Each of the 442 clubs in the Alberta 4-H community completed at least one community project such as Highway Clean-up, school presentations, exchanges, assisting at extended care facilities, the Shelterbelt Program, contributing to community hampers and beautification projects.
  - 4-H families gained project skills and knowledge needed to operate sustainable farming and business operations.

Strategy

Coordinate a multi-ministry approach to rural development.

Results

- Took the lead role in developing the Rural Development framework document for review and approval by the Ministers of Agriculture, Food and Rural Development and Economic Development that outlined a draft vision and three strategic directions and one strategic approach towards rural development in Alberta. This document also led to the commitment to have a Rural Development Strategy for Alberta by 2004.
- The Rural Development Initiative was incorporated within a Priority Cross Ministry Initiative; 23 ministries participated in a cross ministry working group.
- Participated in Federal/Provincial/Territorial discussions towards a National Rural Policy Framework. Alberta is a major contributor to the development of the national framework.

Goal 2 Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Number and diversity of agricultural related community activities			
• Agriculture Events			373
• Agriculture Business			113
• Agriculture Education			152
• Leadership Development		Under	432
• Community Improvement	Not available	development	222
Number of people participating in agricultural related community activities			
Number of volunteers			
• Agriculture Events			11,054
• Agriculture Business			997
• Agriculture Education			757
• Leadership Development			2,562
• Community Improvement			4,252
Number of attendees			
• Agriculture Events			326,550
• Agriculture Business			50,355
• Agriculture Education			8,341
• Leadership Development		Under	29,612
• Community Improvement	Not available	development	30,108
Number of ministries participating in single point of access through offices and other delivery channels*	Not available		

* This measure has been dropped from future business plans as a result of the Ministry's inability to collect reliable data to support the measure.

Core Business 3: Provide Safety Nets

This core business:

- Relates to the core government business of **Preservation** and **Prosperity**.
- Provides risk management tools that are not available or not consistently available through the private sector.

Core Business Cost $ 1,448.0 million (unaudited)

Goal 1: Effective Safety Net Programming

This goal recognizes the need for less instability in a sector significantly affected by unforeseen weather and global influences. The Ministry contributes to this goal by providing safety net funding (through programs such as Farm Income Disaster Program, Crop Insurance, Farm Fuel Distribution Allowance, drought preparedness and disaster initiatives) to allow farmers the opportunity to adopt the most economically viable management practices for their area.

Goal 1 Expense $1,448.0 million (unaudited)

These expenditures include farm income support payments, insurance indemnities and farm fuel distribution allowance payments.

Strategy

Provide Alberta farmers with effective and efficient safety net programs.

Results

- Ad hoc payments for the 2002-2003 fiscal year totaled $336.9 million, which represents 4 per cent of total farm cash receipts for the 2002 calendar year. These payments played a significant role in reducing the negative impact of drought on farm cash receipts in a year that saw a 100 per cent decrease in the total net income from 2001.
- Monitored Feeders Association's lending activity through inspections of all 61 Associations by a field representative. $51,930,000 total guarantees ensured cattle producers had access to financing, which contributed to over $400 million in cattle purchases for the 2002-2003 fiscal year.
- Provided $80 million dollars through the Alberta Farm Fuel Benefit in fuel tax exemption and a further $30.5 million via the Alberta Farm Fuel Distribution Allowance. This tax exemption provides motor fuel to Alberta farmers at prices competitive with those paid by farmers in other parts of North America.
- Collaborated with the Prairie Farm Rehabilitation Association to secure funding for the Alberta Farm Water Program to ensure Alberta producers have secure water resources and are better prepared for future water shortages.
- Developed the Industry Development Fund and reinvestment fund agreements, and established a process to more efficiently monitor reporting requirements.
- Completed a survey of 639 Farm Income Disaster Program (FIDP) clients for the 2000 FIDP program. 73 per cent of producers surveyed indicated that the 2000 year loss had an extreme impact on the financial viability of their farm operations, and 78 per cent of producers who received a FIDP payment in the 2000 claim year indicated that the payment was extremely useful in helping them recover from their low income in 2000.

- Total insured risk for crop losses was $1.9 billion, a 20 per cent increase over the previous crop year.
- Claims totaled $814 million in crop, forage (hay and pasture) and straight hail insurance, the highest ever. Claims paid represent approximately 10 per cent of total farm cash receipts in 2002-2003.
- Despite an increase in the number of crop insurance claims from 14,124 in 2001 to 22,240 in 2002, claim assessments were completed within a reasonable time.
- Participated in the development of the Agriculture Policy Framework (APF) that will provide the tools for industry to adapt to rapid advances in technology, compete in an increasingly complex global market and respond to changing consumer demands.

Strategy

Ensure the availability and access to appropriate government disaster programs in response to any designated natural disaster that has adversely affected Alberta farmers.

Results

- More than 4,000 farmers were paid $111.6 million under the Farm Income Disaster Program (FIDP) and Canadian Farm Income Program (CFIP), primarily for the 2001 claim year. This figure is approximately 1.4 per cent of farm cash receipts.
- Authorized 258 loans for $18.7 million in 2002-2003 under the Alberta Disaster Assistance Loan Program to help farmers meet their financial commitments at a reasonable cost.
- AFSC staff provided 1,889 farmers with financial counseling services to guide them through challenges facing their farms.
- Provided assistance through the Southern Alberta Disaster Recovery Program to 110 producers for uninsurable losses caused by overland flooding of rivers, lakes, creeks and streams. This work enabled producers to restore their farm operations to pre-event conditions.
- Implemented the Alberta Drought Risk Management Plan, which included developing science-based drought modeling capability and indicators for soil moisture and water supply, completing the installation of 35 real-time weather monitoring stations (Droughtnet) and conducting province-wide consultation meetings to provide producers with drought preparedness and safety net information.
- Implementation of the Alberta Drought Risk Management Plan will help ensure a coordinated and equitable response to future instances of drought and will help producers better protect their farming operations against the volatility of weather and commodity prices.

Strategy

Effective delivery with flexibility to meet individual producer needs.

Results

- Provided reasonable turnaround time on processing FIDP payments. Even with an increase of 14 per cent in the number of claims received, 81 per cent of claims were finalized by December 31, 2002, compared to 87 per cent in 2001 and 59 per cent in 2000.
- Implemented four new or enhanced insurance programs for the 2002 crop year in response to producer input including lack of moisture pilot insurance program for native and improved pasture, lack of moisture and area-based pilot insurance programs for cereal silage, expanded satellite imagery insurance for pasture and amended coverage for Polish and Argentine canola.
- Researched and developed six new or enhanced insurance programs for implementation in the 2003 crop year in response to producer input.
- Completed Phase I of the Program Template Project, which will improve efficiencies in the delivery and development of ad hoc support programs administered by the Ministry.

Goal 1 Performance Measures	2001 - 2002 Forecast	2004 - 2005 Target	2002 - 2003 Result
Percentage of customers satisfied with program delivery			
• Crop Insurance			88%
• Farm Income Disaster			87%
• Farm Lending			97%
• Commercial Lending	Not available	80%	89%
Percentage of eligible seeded acres represented by farmers insured under crop insurance programs	75%	75%	76%
Average number of days to process a disaster program payment	40.21 days	Improve by 2% a year to 37.85 days	12 days*

* Represents ad hoc disaster program payments made on behalf of Municipal Affairs only.

Performance Measures Methodology

Core Business 1: Facilitate Industry Growth

Goal 1: Growth of the Agriculture and Food Industry

Performance measures for diversified crop, pork and cattle production are calculated from farm cash receipts estimates prepared by Statistics Canada in consultation with Alberta Agriculture, Food and Rural Development. Estimates are prepared on a quarterly basis. Calendar year estimates are published in Statistics Canada Catalogue No. 21-011-XIE, *"Farm Cash Receipts – Agriculture Economic Statistics"* and, since June 2003, on the internet. The pork and cattle production measures represent five-year average cash revenues generated by farm businesses from product sales off the farm and are reported in current dollars. They do not include sales of products from one farm to another. Data used in this report were current as at the release date of May 27, 2003.

Value of diversified crop production based on all crops other than wheat, barley, canola, forage and grass seed, hay and clover.

Value of diversified crop production is calculated as the sum of farm cash receipts for all crops other than wheat, barley, canola, forage and grass seed, hay and clover.

Number of value added products newly introduced to the market through the use of the Ministry's Leduc Food Processing Development Centre.

The data required to support this measure are collated internally from monthly project leader reports. Products newly introduced to the market in fiscal 2002-2003 after having been developed, tested or produced in the Ministry's Leduc Food Processing Develop Centre are included in this count.

Pork production based on the five-year average of producer cash receipts.

Pork production is based on cash receipts from sales of all classes of pigs by farm businesses. These classes consist of boars, sows, gilts, weanlings, growers and market hogs.

Cattle production based on the five-year average of producer cash receipts.

Cattle production is based on cash receipts from sales of all classes of cattle by farm businesses. These classes consist of bulls, cows, steers, heifers and calves.

Value of new investment in primary agriculture and the processing industry.

Value of new investment, for both primary agriculture and the processing industry, is generated from surveys conducted by the Investment and Capital Stock Division of Statistics Canada. Data are gathered three times a year for the fiscal year from April 1 to March 31. Calendar year estimates are reported in Statistics Canada Catalogue No. 61-206-XIB, *"Private and public investment in Canada."* The measures represent all the capital outlays of private organizations and governmental agencies acquiring durable physical assets for use in Alberta and are reported in current dollars. Data used in this report were current as at the release date of July 23, 2003, and were sourced from Statistics Canada CANSIM electronic database series 029005, prior to the release of the publication.

Amount of beginning farmer loans.

This data is collated from statistics retained in an internal computer system database by Agriculture Financial Services Corporation on the dollar value of beginning farmer loans approved during the fiscal year.

Number of agriculture and food industry sub sectors for which competitiveness benchmark criteria are established.

Competitiveness measures for three sub sectors have been gathered and analyzed for Alberta's agri-food processing industry. The sub sectors selected were based on Industry Development's priority sectors and include oilseeds, pork and poultry. The drivers of competitiveness are defined as the factors that are most influential in determining Alberta's ability to gain and/or maintain market share in the global marketplace. Drivers were identified through interviews with industry and Ministry specialists. Drivers common to all sub sectors are production/productivity, capacity, labour and innovation. Measures have been developed and baselines established to benchmark against on an ongoing basis.

Goal 2: Continued Excellence in Food Safety

Number of active surveillance sampling programs that identify the incidence of food contaminants or residues.

Determination of the level of safety of our food supply is a function of the Alberta government. Data reported in this measure are collated from fourteen targeted surveillance projects identifying food contaminants or residues. Projects are priorized in response to the current needs of the industry and government funds available to conduct surveillance programs. Performance is determined by the number of projects where the research has been completed. Examples include: transmissible spongiform encephalopathy surveillance; meat product safety; pork antibiotic residues; *Campylobacter* in poultry; E. coli O157:H7 in cattle; antimicrobial resistance in federally inspected meat facilities, feedlot cattle and cull ewes; and *Salmonella* in layer chickens, dairy cattle and pork.

Per cent of Alberta production from Alberta chicken farms, hog farms and beef feedlots produced under nationally recognized on-farm food safety (OFFS) programs.

The Ministry has supported the chicken, hog and beef feedlot commodity groups in their efforts to implement their OFFS programs. Results are not available as national recognition of programs is required before implementation can be measured. The process required to achieve national recognition is being constructed at a national level. Alberta is an active participant in this development.

Per cent of Alberta licensed/permitted food processing plants that have implemented Hazard Analysis Critical Control Point (HACCP) systems.

Although all licensed facilities have been audited against regulation and/or meat facility standards, and HACCP prerequisites are in place (one hundred per cent of meat slaughter plants have HACCP prerequisites in place), national standards have yet to be accepted by the Canadian Food Inspection Agency, which will determine the HACCP system that will be best for facilities to implement. Officials are working in partnership with other provinces and the federal government to define national standards. Data are not yet available as national recognition of programs is required before implementation can be measured. Additional training and coaching for full HACCP implementation will be completed once national standards are established.

Core Business 2: Enhance Rural Sustainability

Goal 1: Improved Environmental Stewardship

Percentage of respondents who have adopted stewardship practices (formal evaluation every three years).

Data supporting this measure are obtained through a survey of industry practices that is completed every three years. External expertise was used to complete a formal survey of standard questions. Results of the 2001-2002 survey were collated and provided to Ministry officials. The sample was drawn from a list of farmers maintained by Alberta Agriculture, Food and Rural Development for the purposes of such consultations. A random telephone survey of 503 farmers in Alberta from this list was conducted in March 2001. The margin of error for a sample size of 503 was ±4.4% at the 95% confidence level. Results from the next formal survey of industry practices will be available in August 2004.

Goal 2: Strengthened Rural Communities

Results for the agricultural-related community activities measures are collated from:

- Ag Societies in communities under 10,000, which report activities, volunteer hours and attendance. Ag Societies report annually on a fiscal year determined by the bylaws of each autonomous Ag Society.
- quarterly 4-H reports.
- submissions from the Agricultural Initiative Program.

Agriculture related activities refer to activities such as rodeos, fairs and livestock shows.

Ag business development includes any activities that promote agricultural business development and the development of the agriculture industry.

Ag education and skill development includes programs or projects that foster awareness of agriculture or improve/develop skills within the community.

Leadership development includes training for volunteer staff, fees for conferences, workshops and seminars and sponsoring youth leadership development.

Community improvements include any capital funding for infrastructure development and renovations, repairs and maintenance of infrastructure and operating costs of facilities.

Core Business 3: Provide Safety Nets

Goal 1: Effective Safety Net Programming

Percentage of customers satisfied with program delivery.

Information to support this measure is collated from voluntary responses to surveys forwarded to program participants. Internally developed questionnaires are forwarded to all applicants of the Farm Income Disaster Program. For the Farm Lending program, internally developed surveys are forwarded only to loan recipients. For the Commercial Lending and Crop Insurance programs, an external party is contracted to survey a sample of all applicants. In both cases, the sample selection was sufficient to provide a margin of error no greater the ±5% at the 95% confidence level. Survey questions used vary by program.

Percentage of eligible seeded acres represented by farmers insured under crop insurance programs.

These results are collated from data obtained from crop insurance applications as compared against the 1998 survey of agriculture conducted by Alberta Agriculture, Food and Rural Development.

Average number of days to process a disaster program payment.

This measure represents the time taken for a completed application to be authorized for payment under the 2002 Southern Alberta Flood Disaster Program. An application is considered completed when the restoration work has been done and inspected and all supporting documentation has been approved by the Program Coordinator. Data for this analysis was derived from internal program administrative records. This program is administered on behalf of the Ministry of Municipal Affairs.

Alberta Agriculture, Food and Rural Development officials have recognized that a broader measure encompassing a larger representation of safety net programming would provide more useful information in assessing program delivery.

Financial Information

Financial Statements

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture, Food and Rural Development as at March 31, 2003 and the consolidated statements of operations and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than $15,000 are expensed in the year acquired and have not been recognized as an asset in the accompanying consolidated statement of financial position. In my opinion, capital assets purchased in the current year of approximately $1,900,000 should be recognized as assets in the accompanying consolidated statement of financial position. The effect of this understatement of assets is to overstate expenses for the year ended March 31, 2003 by $1,900,000. The cumulative effect of the application of this policy over past years on the Ministry's capital asset and accumulated amortization balances cannot reasonably be determined but is believed to be significant.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 23, 2003

Consolidated Statement of Operations for the Year Ended March 31, 2003
(in thousands)

	2003 Budget	2003 Actual	2002 Actual
Revenues			
Transfers from Government of Canada	$116,842	$ 415,917	$ 268,817
Reinsurance recoveries	–	113,406	43,562
Premiums from insured persons	87,544	102,140	65,181
Interest and investment income	101,960	100,616	107,384
Fees, permits, licenses and other income	8,326	11,070	15,652
Internal government transfers	16,620	16,620	11,620
Amortization of loan discounts	638	864	901
Revenue from discontinued operations *(Note 3)*			
Restricted revenue	124,874	143,495	130,356
Other revenue	–	5,685	4,846
Ministry revenue	**456,804**	**909,813**	648,319

continued

continued

Consolidated Statement of Operations for the Year Ended March 31, 2003
(in thousands)

	2003 Budget	2003 Actual	2002 Actual
Expenses (Schedule 1)			
Program –			
Insurance	230,873	876,950	329,536
Farm income support	96,617	534,939	498,543
Industry development	46,896	42,989	42,590
Sustainable agriculture	30,419	32,882	30,796
Planning and competitiveness	33,271	32,337	30,709
Farm fuel distribution allowance	33,500	30,012	30,998
Lending	31,598	28,661	30,388
Infrastructure assistance	25,800	26,988	24,058
Ministry support services	16,595	17,773	21,661
Program expense	**545,569**	**1,623,531**	1,039,279
Other –			
Debt servicing costs	55,570	47,196	52,942
Valuation adjustments	5,248	3,185	5,491
Expenses from discontinued operations			
Restricted expenses	119,905	143,495	130,356
Other expenses	–	6,254	5,118
Other expense	**180,723**	**200,130**	193,907
Total ministry expenses	**726,292**	**1,823,661**	1,233,186
Gain (loss) on disposal of assets	–	(26)	228
Gain on disposal of assets of discontinued operations *(Note 3)*	–	–	6
Net operating results	**$ (269,488)**	**$ (813,874)**	$ (584,633)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position as at March 31, 2003

(in thousands)

	2003	2002
Assets		
Cash	$ 117,705	$ 39,051
Accounts receivable	19,587	33,227
Due from Government of Canada	129,750	49,594
Loans receivable *(Schedule 3)*	966,121	959,025
Investments *(Schedule 4)*	104,815	372,983
Capital assets *(Schedule 5)*	48,960	48,042
	$1,386,938	**$1,501,922**
Liabilities		
Accounts payable and accrued liabilities	$ 113,816	$ 100,757
Indemnities payable	164,247	77,335
Allowance for losses on loan guarantees	1,492	1,665
Unearned revenue	2,143	1,911
Deferred contributions *(Note 4)*	19,399	43,183
Advance from the Province of Alberta *(Note 5)*	110,000	–
Notes and interest payable to the Province of Alberta *(Schedule 6)*	903,213	901,064
	1,314,310	1,125,915
Net Assets		
Net assets at beginning of year	376,007	394,560
Net operating results	(913,874)	(584,633)
Net transfer from general revenues	610,495	566,080
Net assets at end of year	**72,628**	376,007
	$1,386,938	$1,501,922

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Changes in Financial Position for the Year Ended March 31, 2003

(in thousands)

	2003	2002
Operating Transactions[1]		
Net operating results	$(913,874)	$ (584,633)
Non-cash items	(2,810)	1,339
Net change in operating assets and liabilities	132,521	(41,362)
Cash used by operating transactions	**(784,163)**	(624,656)
Investing Transactions[2]		
Proceeds from repayments of loans receivable and sale of properties	153,438	141,820
Loan disbursements	(163,658)	(174,745)
Purchase of investments	(531,521)	(605,815)
Proceeds on disposal of investments	804,847	650,678
Purchase of capital assets	(7,444)	(5,692)
Proceeds on disposal of capital assets	157	139
Transfer to Alberta Milk	(6,742)	–
Payment of called guarantee	–	(637)
Cash provided by investing transactions	**249,077**	5,748
Financing Transactions		
Borrowing from the Province of Alberta	875,288	1,510,100
Repayment of borrowing from the Province of Alberta	(873,008)	(1,475,574)
Government of Canada funding for capital assets	413	481
Province of Alberta funding for capital assets	553	1,751
Net transfer from general revenues	610,494	566,080
Cash provided by financing transactions	**613,740**	602,838
Net cash provided (used)	78,654	(16,070)
Cash, beginning of year	39,051	55,121
Cash, end of year	**$ 117,705**	**$ 39,051**

The accompanying notes and schedules are part of these consolidated financial statements.

[1] Cash used by operating transactions includes $10,096 from discontinued operations (2002 - $12,422)

[2] Cash used by investing transactions includes $6,767 from discontinued operations (2002 - $73)

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2003

Note 1 Authority and Purpose

The Minister of Agriculture, Food and Rural Development has been designated as responsible for various Acts by the Government Organization Act and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

(a) Reporting Entity

The Minister of Agriculture Food and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture, Food and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture, Food and Rural Development (the Department)	Government Organization Act
Crop Reinsurance Fund of Alberta	Agriculture Financial Services Act
Agriculture Financial Services Corporation (the Corporation)	Agriculture Financial Services Act
Alberta Dairy Control Board (the Board) (Note 3)	Dairy Board Act

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(c) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions, are recognized as income when invoiced to producers.

Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Note 2 continued

Expenses

Directly Incurred – Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.
- provision for losses on loans and guarantees. The provision includes amounts established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

Incurred by Others – Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 8.

Assets – Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of loans receivable; investments; and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Capital assets are restricted to those acquired for cash or exchanged for other assets.

Liabilities – Liabilities represent financial claims payable by the Ministry at fiscal year end.

Net Assets – Net assets represent the difference between the value of assets held by the Ministry and its liabilities.

Measurement Uncertainty *(in thousands)* – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Indemnities payable, recorded as $164,247 in these financial statements, are subject to measurement uncertainty.

Indemnities payable consist of known liabilities payable at the year end and estimated additional liabilities for indemnities based on historical information about the relationships between the number of claim applications received and the average amount of each application.

Note 2 continued

The Farm Income Disaster Program (FIDP) may pay a farm business when it experiences a disastrous drop in margins on farm operations. Subject to certain conditions, if the program margin falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. Applications can be submitted for the 2002 tax year until July 31, 2003 and indemnities are paid after applications are received and approved.

The Ministry has recorded a liability to provide for estimated indemnities under FIDP of $131,679. Indemnities to be paid for the 2002 tax year may be more or less than the amount recorded because the majority of the 2002 applications are not received until after March 31, 2003. It is also difficult to predict the estimated indemnities payable because of the impact disasters will have on gross margins. Indemnities payable for the 2002 tax year may be as low as $119,000 or as high as $199,500. Indemnities payable under FIDP are limited to a maximum of $200,000 for claims from producers who have year ends in any fiscal year.

Amounts due from the Government of Canada under the Canadian Farm Income Program (CFIP) and corresponding revenues are also subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under FIDP and/or the Farm Income Assistance Program. Information relating to FIDP claims for the 2002 claim year is insufficient to reasonably estimate amounts due from the Government of Canada. Therefore, no amount has been recognized in the financial statements.

Loans receivable, recorded as $966,121 in these financial statements, are subject to measurement uncertainty. Loans receivable include a provision of $39,779 for estimated losses on loans. The provision estimated by management could change significantly in the future, leading to a material change in the provision for losses amount recorded.

The Ministry's payments to producers through the Alberta Farm Water Program and related accrued liability are also subject to measurement uncertainty. The Ministry's expenses under the program and related liability are recorded in these financial statements as $15,900 and $10,500, respectively. Uncertainty is attached to predicting amounts payable because all grant applications under the program are not received until after March 31, 2003.

Note 3 Discontinued Operations

(in thousands)

On August 1, 2002, the Dairy Control Board was dissolved and the rights, assets, and liabilities of the Board became the rights, assets, and liabilities of Alberta Milk, an independent Board established under the authority of the Marketing of Agricultural Products Act.

The following assets and liabilities were transferred to Alberta Milk as at August 1, 2002:

Cash	$ 7,411
Accounts receivable	13,581
Prepaid expenses	7
Capital assets	257
Accounts payable	(150)
Deferred contributions	(20,436)
Net assets transferred to Alberta Milk	$ 670

Note 4 Deferred Contributions

Deferred contributions consist of the following:

	2003	2002
	(in thousands)	
Premiums from insured persons	$19,399	$10,023
Guarantees	–	66
Milk price equalization pool	–	32,455
Milk promotion	–	529
Alberta Milk Producers membership	–	77
Nutrition education	–	33
	$19,399	$43,183

Note 5 Advance from the Province of Alberta

(in thousands)

The advance from the Province of Alberta of $110,000 represents an amount repayable without interest by the Ministry as and when future cash flows permit.

Note 6 Credit and Interest Risk

Credit Risk – Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the Loans Receivable and Notes and Interest Payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2003. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

Note 6 continued

	Term to Maturity [1]						
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not Interest Rate Sensitive [2]	2003 Total	2002 Total
				(in thousands)			
Direct farm loans	$ 56,600	$239,533	$255,770	$253,286	$ 4,714	$809,903	$806,963
Yield[3]	7.10%	7.24%	7.31%	7.38%	–	7.25%	7.30%
Commercial loans	45,094	109,723	795	–	606	156,218	152,062
Yield[3]	7.70%	7.95%	7.63%	–	–	7.84%	10.13%
Total	$101,694	$349,256	$256,565	$253,286	$ 5,320	$966,121	$959,025
Yield[3]	7.20%	7.30%	7.31%	7.38%	–	7.29%	7.74%
Notes payable							
Province of Alberta	149,974	442,897	217,550	82,432	10,360	903,213	901,064
Yield[3]	5.80%	6.11%	6.61%	6.33%	–	6.13%	6.21%
Net gap before pre-payment adjustment	(48,280)	(93,641)	39,015	170,854	(5,040)	62,908	57,961
Prepayment adjustment[4]	48,350	68,667	(23,696)	(93,321)	–	–	–
Net gap	$ 70	$(24,974)	$ 15,319	$ 77,533	$(5,040)	$ 62,908	$ 57,961

[1] Term to maturity reflects the period of time until a loan matures or where an interest rate is to be renegotiated.

[2] Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

[3] Yield represents the rate which discounts future cash receipts to the carrying amount.

[4] Because there are no early repayment penalties on most loan programs, an adjustment is made for expected repayments based on historical patterns.

This gap analysis does not include the investment portfolio because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 7 Contingencies

(in thousands)

At March 31, 2003, Ministry entities are defendants in ten legal claims (2002 – fifteen legal claims). These claims have specified amounts totaling $5,809 (2002 – $20,203). Included in the total legal claims are four claims amounting to $2,807 in which the Ministry has been jointly named with other entities. Four claims amounting to $2,707 are covered by the Alberta Risk Management Fund.

Note 8 Commitments

At March 31, commitments are comprised of the following:

	2003	2002
	(in thousands)	
Estimated farm loan incentives	$17,774	$19,427
Approved undisbursed loans	34,390	37,855
Reinsurance	31,801	30,800
Operating leases	3,230	2,840
Service contracts	1,788	1,924
Capital purchases	105	–
	$89,088	$92,846

The operating lease commitments are for accommodations with terms up to five years.

Note 9 Guarantees

	2003	2002	Expiry Date
	(in thousands)		
Feeder associations	$43,803	$ 49,925	Ongoing
Alberta farm development loans	44,771	51,327	Variable
Agricultural Societies Act	25	31	2015
	$88,599	$101,283	

Prior to issuing a loan, appropriate security is taken. The security taken depends on the nature of the loan. Interest rates are negotiated and typically range from prime minus one-half to prime plus one-half of a percent. The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 10 Trust Funds Under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Since the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's consolidated financial statements. As at March 31, trust funds under administration were as follows:

	2003	2002
	(in thousands)	
Wheat Board Monies Trust Fund	$ 98	$ 99
4-H General Trust	73	74
4-H Scholarship Trust Fund	61	61
Claude Gallinger Memorial Trust Fund	34	35
	$266	$269

Note 11 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of $4,755 for the period ended March 31, 2003 (2002 – $4,863).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968 (2001 – surplus $5,338) and the Public Service Pension Plan reported an actuarial deficiency of $175,528 (2001 – actuarial surplus $320,487). At December 31, 2002, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,152 (2001 – deficiency $399).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2003, the Bargaining Unit Plan reported an actuarial deficiency of $14,434 (2002 – $8,646) and the Management, Opted Out, and Excluded Plan an actuarial deficiency of $3,053 (2002 – $2,656). The expense for these two plans is limited to employer's annual contributions for the year.

Note 12 Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 13 Budget

The 2002-2003 Government and Lottery Fund Estimates were approved on May 14, 2002.

Note 14 Subsequent Event

On May 20, 2003, the Province confirmed that a single cow had tested positive for Bovine Spongiform Encephalopathy (BSE) as a result of Canada's ongoing BSE surveillance program. This has resulted in the temporary closure of the United States' and other countries' borders to the importation of Canadian cattle, beef and related products. Consequently, the market price of cattle has seriously declined causing severe income losses and hardship to the beef industry in Alberta.

The federal and provincial governments have responded with a temporary program to compensate producers for the impact that the border closures have had on slaughter cattle prices. The ultimate impact on the beef and related industries in Alberta and the financial impact on the Ministry is uncertain.

Note 15 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2003

Schedule 1

(in thousands)

	2003 Budget	2003 Actual	2002 Actual
Grants	$ 81,484	$ 434,501	$ 474,886
Indemnities	293,520	1,023,483	392,968
Salaries, wages, employment contracts and benefits	98,154	103,045	106,140
Interest	61,988	53,598	58,961
Supplies and services	59,744	55,578	57,957
Amortization of capital assets	6,166	6,081	5,706
Other expenses	83	695	721
Valuation adjustments	5,248	3,185	5,491
Subtotal	606,387	1,680,166	1,102,830
Restricted expenses	119,905	143,495	130,356
Total	$726,292	$1,823,661	$1,233,186

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Supplementary Information – Operating Results for the Year Ended March 31, 2003

Schedule 2

(in thousands)

	2003 Per Consolidated Statement of Operations		2003
	Budget	Actual	Actual (Gross Basis)
Revenues –			
Transfers from Government of Canada	$ 116,842	$ 415,917	$ 415,917
Reinsurance recoveries	–	113,406	113,406
Premiums from insured persons	87,544	102,140	102,140
Interest and investment income	101,960	100,616	100,620
Fees, permits, licenses and other income	8,326	11,070	16,751
Internal government transfers	16,620	16,620	16,620
Amortization of loan discounts	638	864	864
Revenue from discontinued operations (Note 3)			
Restricted revenue	124,874	143,495	143,495
Other revenue	–	5,685	–
Ministry revenue	456,804	909,813	909,813
Expenses (Schedule 1) –			
Program			
Insurance	230,873	876,950	876,950
Farm income support	96,617	534,939	534,939
Industry development	46,896	42,989	49,243
Sustainable agriculture	30,419	32,882	32,882
Planning and competitiveness	33,271	32,337	32,337
Farm fuel distribution allowance	33,500	30,012	30,012
Lending	31,598	28,661	28,661
Infrastructure assistance	25,800	26,988	26,988
Ministry support services	16,595	17,773	17,773
Program expense	545,569	1,623,531	1,629,785
Other –			
Debt servicing costs	55,570	47,196	47,196
Valuation adjustments	5,248	3,185	3,185
Expenses from discontinued operations			
Restricted expenses	119,905	143,495	143,495
Other expenses	–	6,254	–
Other expense	180,723	200,130	193,876
Total ministry expenses	726,292	1,823,661	1,823,661
Gain (loss) on disposal of assets	–	(26)	(26)
Gain on disposal of assets of discontinued operations (Note 3)	–	–	–
Net operating results	$(269,488)	$ (913,874)	$ (913,874)

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Loans Receivable for the Year Ended March 31, 2003

Schedule 3

(in thousands)

	2003	2002
Loans receivable	$ 987,546	$ 972,721
Accrued interest	24,680	29,022
	1,012,226	1,001,743
Less allowance for doubtful accounts	(39,779)	(35,943)
Less accrued incentives	(2,672)	(2,677)
Less loan discounts	(3,654)	(4,098)
	$ 966,121	$ 959,025

The allowance for doubtful accounts of $39,779 (2002 – $35,943) includes a specific allowance for $6,958 (2002 – $5,540) on impaired loans outstanding of $20,846 (2002 – $19,806), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2003 is $951,297 (2002 – $945,569 (restated)). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Investments for the Year Ended March 31, 2003

Schedule 4
(in thousands)

	2003	2002
Bonds and debentures –		
Government of Canada, direct and guaranteed	$ 19,853	$225,134
Other provincial, direct and guaranteed	45,058	86,476
	64,911	311,610
Corporate securities	38,305	55,695
	103,216	367,305
Accrued interest	1,599	5,678
	$104,815	$372,983

	Term to Maturity [1]					
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	2003 Total	2002 Total
Bonds and debentures	$ –	$41,196	$11,861	$11,854	$ 64,911	$311,610
Yield [2]	–	4.92%	5.34%	6.02%	5.19%	5.15%
Securities	–	38,305	–	–	38,305	55,695
Yield [2]	–	5.27%	–	–	5.27%	6.07%
	–	79,501	11,861	11,854	103,216	367,305
Accrued interest	–	1,169	239	191	1,599	5,678
	$ –	$80,670	$12,100	$12,045	$104,815	$372,983

The fair value of investments at March 31, 2003 is $106,801 (2002 – $374,933). Fair value is based on quoted market prices including accrued interest.

[1] Term to maturity classifications are based on contractual maturity date of the security.

[2] Yield represents the rate which discounts future cash receipts to the carrying amount.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Capital Assets for the Year Ended March 31, 2003

Schedule 5

(in thousands)

	Estimated Useful Life	Cost	2003 Accumulated Amortization	Net Book Value	2002 Net Book Value
Land	Indefinite	$ 403	$ –	$ 403	$ 403
Buildings	40 years	4,531	1,216	3,315	3,312
Equipment*	5-10 years	24,930	12,698	12,232	9,716
Computer hardware and software	3-5 years	26,279	12,003	14,276	14,361
Leasehold improvements	Term of lease	–	–	–	3
Rail hopper cars	35 years	50,799	32,065	18,734	20,247
		$106,942	$57,982	$48,960	$48,042

* Equipment includes heavy equipment, vehicles, furniture and assets under construction.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2003

Schedule 6

(in thousands)

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Series	Year of Maturity	Interest Rate	Principal Outstanding 2003	2002
Short term notes	2002-2004	3.19%	$ 52,147	$110,769
Note Payable 01	2011	7.64%	17,365	18,772
Note Payable 02	2010	5.58%	36,836	40,413
Note Payable 03	2013	5.43%	37,772	40,380
Note Payable 04	2013	5.84%	27,031	28,852
Note Payable 05	2016	6.52%	87,767	91,727
Note Payable 06	2010	5.94%	22,442	23,502
Note Payable 07	2016	5.93%	82,526	90,407
Note Payable 08A	2016	5.86%	45,116	47,260
Note Payable 08B	2002	5.46%	–	12,216
Note Payable 09	2011	5.56%	138,830	149,655
Note Payable 10	2005	5.23%	24,154	24,589
Note Payable 11	2003	4.79%	25,070	25,782
Note Payable 12	2004	5.05%	25,374	25,677
Note Payable 13A	2016	5.99%	45,622	47,767
Note Payable 13B	2003	5.25%	–	14,169
Note Payable 14	2004	4.94%	24,926	24,884
Note Payable 15A	2006	5.54%	24,758	24,701
Note Payable 15B	2003	5.41%	9,980	9,955
Note Payable 16	2005	3.64%	50,000	–
Note Payable 17	2007	4.15%	25,000	–
Note Payable 18	2004	3.10%	24,128	–
Note Payable 19A	2016	5.04%	26,365	–
Note Payable 19B	2004	5.33%	5,998	5,996
Note Payable 23B	2004	6.15%	5,962	5,944
Note Payable 25B	2005	5.23%	14,491	14,728
Note Payable 27B	2006	5.54%	9,902	9,880
			889,562	888,025
Interest			13,651	13,039
			$903,213	$901,064
Fair Value			$923,957	$908,670

Notes Payable include net unamortized discounts of $3,228 (2002 – $3,337).

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2003

Schedule 6 continued

(in thousands)

Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the notes are sold, there will be a limited pool of these securities trading in the market; and that the notes would be new to the market and are not direct issues of the Province; a premium for periodic interest reset feature where applicable, and a factor to reflect the blended payment structure of the notes.

Scheduled principal repayments are as follows:

2004	$149,974
2005	134,972
2006	129,985
2007	95,609
2008	82,331
	$592,871

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2003

Schedule 7

(in thousands)

Related parties are those entities consolidated or accounted for on a modified basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	2003	2002
Revenues –		
Grants	$16,620	$11,620
Fees and charges	36	–
Other	702	909
Interest	–	482
	$17,358	$13,011
Expenses (directly incurred) –		
Grants	$ 63	$ 158
Accommodation	–	–
Other services	9,729	10,836
Interest	47,196	52,942
	$56,988	$63,936
Capital assets transferred	$ –	$ 59

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 8.

	2003	2002
Expenses incurred by others –		
Accommodation	$11,653	$11,425
Other services	327	334
	$11,980	$11,759

Note: The Ministry receives services under contracts managed by the Ministry of Government Services (ACSC). Any commitments under these contracts are reported by the Ministry of Government Services (ACSC).

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Allocated Costs for the Year Ended March 31, 2003

Schedule 8

(in thousands)

	2003						2002
		Expenses – Incurred by Others		Valuation Adjustments			
Program	Expenses[1]	Accommodation Costs	Legal Services	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses
Insurance	$ 876,950	$ –	$ –	$ –	$ (36)	$ 876,914	$ 330,493
Farm income support	534,939	–	–	(27)	–	534,912	498,543
Restricted expenses	143,495	–	–	–	–	143,495	130,356
Industry development	49,243	4,431	116	(630)	5	53,165	54,235
Sustainable agriculture	32,882	3,788	71	304	–	37,045	33,765
Planning and competitiveness	32,337	2,036	89	(74)	25	34,413	32,520
Farm fuel distribution allowance	30,012	–	–	–	–	30,012	30,998
Lending	28,661	(63)	–	–	3,540	32,138	34,139
Infrastructure assistance	26,988	–	–	–	–	26,988	24,058
Ministry support services	17,773	1,461	51	78	–	19,363	22,891
	$1,773,280	$11,653	$327	$(349)	$3,534	$1,788,445	$1,191,998

[1] Expenses – Directly incurred per the Consolidated Statement of Operations, excluding valuation adjustments.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development

I have audited the statement of financial position of the Department of Agriculture, Food and Rural Development as at March 31, 2003 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than $15,000 are expensed in the year acquired and have not been recognized as an asset in the accompanying statement of financial position. In my opinion, capital assets purchased in the current year of approximately $1,900,000 should be recognized as assets in the accompanying statement of financial position. The effect of this understatement of assets is to overstate expenses for the year ended March 31, 2003 by $1,900,000. The cumulative effect of the application of this policy over past years on the Department's capital asset and accumulated amortization balances cannot reasonably be determined but is believed to be significant.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 23, 2003

Statement of Operations for the Year Ended March 31, 2003
(in thousands)

	2003 Budget (Schedule 4)	2003 Actual	2002 Actual
Revenues (Schedule 1)			
Transfers from the Government of Canada	$ 6,000	$ 89,474	$178,605
Internal government transfers	16,620	16,620	11,620
Other revenue	3,572	6,862	6,189
Fees, permits and licenses	1,400	1,467	1,714
	27,592	114,423	198,128
Expenses – Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 3 and 5)			
Industry development	40,618	42,988	42,585
Sustainable agriculture	30,419	32,882	30,796
Planning and competitiveness	33,271	32,337	30,709
Infrastructure assistance	25,800	26,988	24,058
Ministry support services	16,595	17,773	21,661
Agriculture assistance –			
Farm income assistance program	-	353,654	403,795
Farm income disaster program	49,674	104,359	60,852
Crop insurance	62,738	80,818	75,255
Farm fuel distribution allowance	33,500	30,012	30,998
Lending assistance	9,424	11,880	12,130
Wildlife damage	1,985	3,577	1,669
	304,024	737,268	734,508

continued

continued

Statement of Operations for the Year Ended March 31, 2003
(in thousands)

	2003 Budget (Schedule 4)	2003 Actual	2002 Actual
Statutory (Schedule 5)			
Valuation adjustments –			
Provision for vacation pay and guarantees	–	(349)	750
Write-offs and losses	–	–	22
Provision for doubtful accounts	–	30	11
	–	(319)	783
Total expenses	304,024	736,949	735,291
(Gain) loss on disposal of capital assets	–	23	(246)
Net operating results	**$(276,432)**	**$(622,549)**	**$(536,917)**

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position as at March 31, 2003
(in thousands)

	2003	2002
Assets		
Cash	$ 659	$ 5,801
Accounts receivable *(Note 3)*	36,603	7,245
Advances	22	107
Capital assets *(Note 4)*	30,450	30,277
	$ 67,734	$ 43,430
Liabilities		
Accounts payable and accrued liabilities	$ 137,603	$ 101,476
Unearned revenue	2,143	1,911
	139,746	103,387
Net Liabilities		
Net liabilities at beginning of year	(59,957)	(89,120)
Net operating results	(622,549)	(536,917)
Net transfer from general revenues	610,494	566,080
Net liabilities at end of period	(72,012)	(59,957)
	$ 67,734	$ 43,430

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Financial Position for the Year Ended March 31, 2003

(in thousands)

	2003	2002
Operating Transactions		
Net operating results	$(622,549)	$(536,917)
Non cash items –		
Amortization	2,595	2,443
Valuation adjustments	(319)	783
Transferred assets	–	59
Loss (gain) on disposal of capital assets	23	(246)
	(620,250)	(533,878)
Increase in accounts receivable	(29,388)	(5,763)
Decrease in advances	85	15
Increase (decrease) in accounts payable and accrued liabilities	36,476	(18,255)
Increase (decrease) in unearned revenue	232	(165)
Cash used by operating transactions	(612,845)	(558,046)
Investing Transactions		
Purchase of capital assets *(Schedule 5)*	(2,842)	(2,812)
Proceeds from disposal of capital assets	51	99
Cash used by investing transactions	(2,791)	(2,713)
Financing Transactions		
Net transfer from general revenues	610,494	566,080
Net cash (used) provided	(5,142)	5,321
Cash, beginning of year	5,801	480
Cash, end of year	$ 659	$ 5,801

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2003

Note 1 Authority and Purpose

The Department of Agriculture, Food and Rural Development operates under the authority of the Government Organization Act, Statutes of Alberta. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Department of Agriculture, Food and Rural Development, which is part of the Ministry of Agriculture, Food and Rural Development and for which the Minister of Agriculture, Food and Rural Development is accountable. Other entities reporting to the Minister include:

- Agriculture Financial Services Corporation,
- Alberta Dairy Control Board, and
- Crop Reinsurance Fund of Alberta.

The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue – Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred – Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.

Note 2 continued

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payment arising from obligations relating to vacation pay, guarantees, and indemnities.

Incurred by Others – Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other capital assets is $15,000. All land is capitalized.

Liabilities – Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Liabilities – Net liabilities represent the difference between the value of assets held by the Department and its liabilities.

Measurement Uncertainty – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Accounts payable and accrued liabilities include an estimated amount owing to Agriculture Financial Services Corporation (AFSC) that is subject to measurement uncertainty. Accrued liabilities to AFSC include known liabilities owing at year end and estimates of the Province's contribution payable for Farm Income Disaster Program (FIDP) indemnities. Amounts to be paid may be more or less than the amount recorded because the estimate is made before the majority of applications are received, and is based on historical information about the relationship between the number of claim applications received and the average amount of each application. The estimated payable, recorded as $51.8 million, may be as low as $46.8 million or as high as $78.5 million.

Amounts due from the Government of Canada under the Canadian Farm Income Program (CFIP) and corresponding revenues are subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under FIDP and/or the Farm Income Assistance Program. Information relating to FIDP claims for the 2002 claim year is insufficient to reasonably estimate amounts due from the Government of Canada. Therefore, no amount has been recognized in the financial statements.

The Department's payments to producers through the Alberta Farm Water Program and related accrued liability are also subject to measurement uncertainty. The Department's grant expenses under the program and related liability are recorded in these financial statements as $15.9 million and $10.5 million, respectively. Uncertainty is attached to predicting amounts payable because all grant applications under the program are not received until after March 31, 2003.

Valuation of Financial Assets and Liabilities – Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, advances, accounts payable and accrued liabilities are estimated to approximate carrying values.

Note 3 Accounts Receivable

	2003			2002
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
		(in thousands)		
Accounts receivable	$34,877	$49	$34,828	$6,599
Refunds from suppliers	1,775	–	1,775	646
	$36,652	$49	$36,603	$7,245

Accounts receivable are unsecured and non-interest bearing.

Note 4 Capital Assets

	Estimated Useful Life	2003 Cost	2003 Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
		(in thousands)			
Land	Indefinite	$ 123	$ –	$ 123	$ 123
Buildings	40 years	1,557	45	1,512	1,448
Equipment[1]	10 years	19,999	10,310	9,689	8,124
Computer hardware and software	3-5 years	1,459	1,067	392	335
Rail hopper cars	35 years	50,799	32,065	18,734	20,247
		$73,937	$43,487	$30,450	$30,277

[1] Equipment includes vehicles and heavy equipment.

Note 5 Commitments

As at March 31, 2003, the Department has the following commitments:

	2003	2002
	(in thousands)	
Service contracts	$1,788	$1,924
Capital purchases	105	–
	$1,893	$1,924

Note 6 Contingencies

(in thousands)

At March 31, 2003, the Department is a defendant in six legal claims (2002 – five legal claims). These claims have specified amounts totaling $3,209 (2002 – $1,797). Included in the total legal claims are four claims of $2,807 in which the Department has been jointly named with other entities (2002 – one claim of $1,332 in which the Department has been jointly named with another entity). Four claims amounting to $2,707 (2002 – two claims amounting to $1,414 (restated)) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 7 Guarantees

	2003	2002	Expiry Date
	(in thousands)		
Feeder associations	$43,803	$49,925	Ongoing
Agricultural Societies Act	25	31	2015
	$43,828	$49,956	

Guarantee programs and their limits are established under the following Acts:

- Feeder Associations Guarantee Act (authorized guarantee limit set by Order in Council is $55 million)
- Agricultural Societies Act (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime minus one-half to prime plus one-half of a percent.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 8 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, trust funds under administration were as follows:

	2003	2002
	(in thousands)	
Wheat Board Monies Trust Fund	$ 98	$ 99
4-H General Trust	73	74
4-H Scholarship Trust Fund	61	61
Claude Gallinger Memorial Trust Fund	34	35
	$266	$269

Note 9 Defined Benefit Plans

(in thousands)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $3,363 for the year ending March 31, 2003 (2002 – $3,522).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968 (2001 – surplus $5,338) and the Public Service Pension Plan reported an actuarial deficiency of $175,528 (2001 – actuarial surplus $320,487). At December 31, 2002, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,152 (2001 – actuarial deficiency $399).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2003, the Bargaining Unit Plan reported an actuarial deficiency of $14,434 (2002 – $8,646) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $3,053 (2002 – $2,656). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 11 Subsequent Event

On May 20, 2003, the Province confirmed that a single cow had tested positive for Bovine Spongiform Encephalopathy (BSE) as a result of Canada's ongoing BSE surveillance program. This has resulted in the temporary closure of the United States' and other countries' borders to the importation of Canadian cattle, beef and related products. Consequently, the market price of cattle has seriously declined causing severe income losses and hardship to the beef industry in Alberta.

The federal and provincial governments have responded with a temporary program to compensate producers for the impact that the border closures have had on slaughter cattle prices. The ultimate impact on the beef and related industries in Alberta and the financial impact on the Department is uncertain.

Note 12 Approval of the Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Revenues for the Year Ended March 31, 2003

Schedule 1

(in thousands)

	2003 Budget	2003 Actual	2002 Actual
Transfers from the Government of Canada	$ 6,000	$ 89,474	$178,605
Internal government transfers			
Transfers from the lottery fund	16,620	16,620	11,620
Other revenue			
Project contributions	1,922	1,898	2,730
Rail hopper car revenue	–	649	1,074
Green certificate and home study	780	334	356
Publications	220	284	249
Previous years' refunds of expenditures	–	3,411	1,455
Plant industry development partnership	–	–	91
Surplus sales	–	56	55
Miscellaneous	650	230	179
	3,572	6,862	6,189
Fees, permits and licenses			
Livestock water program	140	286	558
Food processing centre fees	700	634	626
Meat services	201	227	197
Aquaculture, sheep and diversified livestock	–	138	144
Dairy laboratory and analytical services	71	35	23
Other	288	147	166
	1,400	1,467	1,714
	$27,592	$114,423	$198,128

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Dedicated Revenue Initiatives for the Year Ended March 31, 2003

Schedule 2

(in thousands)

	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Ministry support services	$ 225	$ 286	$ 61
Planning and competitiveness	780	417	(363)
Industry development	3,200	2,496	(704)
Sustainable agriculture	1,202	1,221	19
	$5,407	$4,420	$(987) [1]

Ministry Support Services dedicated revenue initiatives include fees for sale of publications.

Planning and Competitiveness dedicated revenue initiatives include fees for educational services.

Industry Development dedicated revenue initiatives include: Food Processing Development Centre ($707), Crop Diversification ($1,525), Business and Innovation ($19), Livestock Industry programs ($230), and Marketing Council ($15).

Sustainable Agriculture dedicated revenue initiatives include: Food Safety Initiatives ($571), Resource Management and Irrigation ($106) and various Technical Services Programs ($544).

The revenue and expense of each dedicated revenue initiative is reported in the Statement of Operations.

[1] Shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5 of the financial statements.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2003

Schedule 3

(In thousands)

	2003 Budget	2003 Actual	2002 Actual
Voted			
Salaries, wages and employee benefits	$ 63,575	$ 68,484	$ 70,881
Supplies and services	32,857	31,451	36,167
Grants	204,439	634,635	624,939
Financial transactions and other	83	103	78
Amortization of capital assets	3,070	2,595	2,443
Total voted expenses	$304,024	$737,268	$734,508
Statutory			
Valuation adjustments			
Provision for vacation pay and guarantees	$ –	$(349)	$750
Write-offs and losses	–	–	22
Provision for doubtful accounts	–	30	11
	$ –	$(319)	$783

Department - continued
Department of Agriculture, Food and Rural Development - Schedule of Budget for the Year Ended March 31, 2003

Schedule 4
(in thousands)

	2002-2003 Estimates	Adjustment (a)	2002-2003 Budget	Authorized Supplementary (b)	2002-2003 Authorized Budget
Revenues -					
Transfers from the Government of Canada	$ 6,000	$ -	$ 6,000	$ -	$ 6,000
Internal government transfers	16,620	-	16,620	-	16,620
Other revenue	3,572	-	3,572	506	4,078
Fees, permits and licenses	1,400	-	1,400	579	1,979
	$ 27,592	$ -	$ 27,592	$ 1,085	$ 28,677
Expenses (directly incurred) -					
Voted expenses					
Planning and competitiveness	$ 66,771	$ -	$ 66,771	$ 349,300	$ 416,071
Agriculture insurance and lending assistance	123,821	-	123,821	95,537	219,358
Sustainable agriculture	51,219	-	51,219	635	51,854
Industry development	45,618	-	45,618	450	46,068
Ministry support services	16,595	-	16,595	-	16,595
Dedicated revenue shortfall (Schedule 2)	-	(987)	(987)	-	(987)
	304,024	(987)	303,037	445,922	748,959
Net operating results	$(276,432)	$(987)	$(275,445)	$(444,837)	$(720,282)
Capital investment	$ 1,266	$ -	$ 1,266	$ -	$ 1,266

(a) Adjustments include dedicated revenue shortfalls.

(b) Supplementary expenses were approved on December 4, 2002 and March 10, 2003.
Supplementary recoveries were approved on January 20, 2003. Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2003

Schedule 5

(in thousands)

		2002-2003 Estimates	Adjustments (a)	2002-2003 Budget	Authorized Supplementary (b)	2002-2003 Authorized Budget	2002-2003 Actual Expenses (c)	Unexpended (Over Expended)
Voted Expenses and Capital Investments								
1.0	Ministry Support Services	$ 427	$ –	$ 427	$ –	$ 427	$ 377	$ 50
1.0.1	Minister's Office							
1.0.2	Standing Policy Committee on Agriculture and Municipal Affairs	102	–	102	–	102	91	11
1.0.3	Deputy Minister's Office	378	–	378	–	378	426	(48)
1.0.4	Farmers' Advocate	627	–	627	–	627	670	(43)
1.0.5	Finance	5,455	–	5,455	–	5,455	5,568	(113)
1.0.6	Internal Audit	190	–	190	–	190	201	(11)
1.0.7	Information Technology							
	– Operating Expense	2,613	–	2,613	–	2,613	3,708	(1,095)
	– Capital Investment	70	–	70	–	70	163	(93)
1.0.8	Agriculture Information Division	2,853	–	2,853	–	2,853	2,846	7
1.0.9	Industry Information Network	961	–	961	–	961	856	105
1.0.10	Knowledge Management	509	–	509	–	509	492	17
1.0.11	Communications	257	–	257	–	257	259	(2)
1.0.12	Human Resources	1,818	–	1,818	–	1,818	2,204	(386)
1.0.13	Amortization of Capital Assets	405	–	405	–	405	75	330
	Total Program	16,665	–	16,665	–	16,665	17,936	(1,271)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2003

Schedule 5 continued		2002-2003 Estimates	Adjustments (a)	2002-2003 Budget	Authorized Supplementary (b)	2002-2003 Authorized Budget	2002-2003 Actual Expenses (c)	Unexpended (Over Expended)
2.0	Planning and Competitiveness							
2.1	Program Support							
2.1.1	Assistant Deputy Minister	257	–	257	–	257	279	(22)
2.1.2	Policy Secretariat	3,327	–	3,327	–	3,327	2,631	696
2.1.3	Rural Development Initiatives	393	–	393	–	393	457	(64)
2.1.4	Alberta Grain Commission	337	–	337	–	337	366	(29)
2.1.5	Amortization of Capital Assets	1,473	–	1,473	–	1,473	1,466	7
	Total Sub-program	5,787	–	5,787	–	5,787	5,199	588
2.2	Economics and Competitiveness							
2.2.1	Administrative Support	354	–	354	–	354	486	(132)
2.2.2	Grain Sector Task Force	149	–	149	–	149	70	79
2.2.3	Statistics and Data Development	934	–	934	–	934	954	(20)
2.2.4	Economics	1,047	–	1,047	–	1,047	997	50
2.2.5	Competitive Intelligence	405	–	405	–	405	308	97
2.2.6	Strategic Information Services	824	–	824	–	824	839	(15)
2.2.7	Bilateral Relations and Strategic Initiatives	359	–	359	–	359	296	63
	Total Sub-program	4,072	–	4,072	–	4,072	3,950	122
2.3	Rural Services							
2.3.1	Administrative Support	453	–	453	–	453	940	(487)
2.3.2	Farm Income Support Operations	2,686	–	2,686	–	2,686	3,145	(459)
2.3.3	4-H	1,175	–	1,175	–	1,175	1,067	108
2.3.4	Educational and Community Services	2,478	–	2,478	–	2,478	2,104	374
2.3.5	Agricultural Service Boards							
	– Operating Expense funded by Lotteries	5,000	–	5,000	–	5,000	4,924	76
2.3.6	Agriculture Initiatives							
	– Operating Expense funded by Lotteries	11,620	–	11,620	–	11,620	11,008	612
2.3.7	Farm Fuel Distribution Allowance	33,500	–	33,500	–	33,500	30,012	3,488
2.3.8	Farm Income Assistance Program	–	–	–	349,300	349,300	353,654	(4,354)
	Total Sub-program	56,912	–	56,912	349,300	406,212	406,854	(642)
	Total Program	66,771	–	66,771	349,300	416,071	416,003	68

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2003

Schedule 5 continued

		2002-2003 Estimates	Adjustments (a)	2002-2003 Budget	Authorized Supplementary (b)	2002-2003 Authorized Budget	2002-2003 Actual Expenses (c)	Unexpended (Over Expended)
3.0	Industry Development							
3.1	Program Support							
3.1.1	Assistant Deputy Minister	447	–	447	–	447	272	175
3.1.2	Marketing Council	543	–	543	–	543	605	(62)
3.1.3	Dairy Control Board	62	–	62	–	62	177	(115)
3.1.4	Amortization of Capital Assets	584	–	584	–	584	556	28
	Total Sub-program	1,636	–	1,636	–	1,636	1,610	26
3.2	Livestock Industry Development							
3.2.1	Administrative Support	210	–	210	–	210	853	(643)
3.2.2	Beef	1,750	–	1,750	–	1,750	1,709	41
3.2.3	Pork, Poultry and Dairy	1,650	–	1,650	–	1,650	1,462	188
3.2.4	Forage and Horse	1,200	–	1,200	–	1,200	1,284	(84)
3.2.5	Diversified Livestock	1,650	–	1,650	–	1,650	1,503	147
	Total Sub-program	6,460	–	6,460	–	6,460	6,811	(351)
3.3	Crop Diversification							
3.3.1	Administrative Support							
	– Operating Expense	396	–	396	–	396	367	29
	– Capital Investment	350	–	350	–	350	263	87
3.3.2	Pulse and Oilseed	3,333	–	3,333	–	3,333	3,532	(199)
3.3.3	Opportunity Crop	2,162	–	2,162	200	2,362	2,917	(555)
3.3.4	Cereal	2,172	–	2,172	150	2,322	3,068	(746)
3.3.5	Pest Risk Management	825	–	825	–	825	836	(11)
	Total Sub-program	9,238	–	9,238	350	9,588	10,983	(1,395)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2003

Schedule 5 continued

		2002-2003 Estimates	Adjustments (a)	2002-2003 Budget	Authorized Supplementary (b)	2002-2003 Authorized Budget	2002-2003 Actual Expenses (c)	Unexpended (Over Expended)
3.4	Processing Development							
3.4.1	Administrative Support	860	–	860	–	860	705	155
3.4.2	Processing – Operations							
	– Operating Expense	1,967	–	1,967	–	1,967	1,057	910
	– Capital Investment	266	–	266	–	266	333	(67)
3.4.3	Processing – Programs	1,715	–	1,715	84	1,799	1,658	141
	Total Sub-program	4,808	–	4,808	84	4,892	3,753	1,139
3.5	Agri-Food Investment							
3.5.1	Administrative Support	198	–	198	–	198	207	(9)
3.5.2	Investment Initiatives	1,870	–	1,870	–	1,870	1,527	343
3.5.3	Infrastructure Assistance for Municipal Wastewater	5,000	–	5,000	–	5,000	315	4,685
	Total Sub-program	7,068	–	7,068	–	7,068	2,049	5,019
3.6	Business and Innovation							
3.6.1	Administrative Support	300	–	300	–	300	617	(317)
3.6.2	Business Development	2,641	–	2,641	–	2,641	2,799	(158)
3.6.3	Business Management Innovations	2,348	–	2,348	16	2,364	1,994	370
3.6.4	Agri-Food/New Uses	3,092	–	3,092	–	3,092	2,316	776
	Total Sub-program	8,381	–	8,381	16	8,397	7,726	671
3.7	Ag-Entrepreneurship							
3.7.1	Administrative Support	315	–	315	–	315	1,942	(1,627)
3.7.2	Agri-Preneur Feasibility	690	–	690	–	690	575	115
3.7.3	Agri-Preneur Action Team	1,370	–	1,370	–	1,370	1,297	73
3.7.4	Agri-Preneur Services	580	–	580	–	580	591	(11)
	Total Sub-program	2,955	–	2,955	–	2,955	4,405	(1,450)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2003

Schedule 5 continued

		2002-2003 Estimates	Adjustments (a)	2002-2003 Budget	Authorized Supplementary (b)	2002-2003 Authorized Budget	2002-2003 Actual Expenses (c)	Unexpended (Over Expended)
3.8	Program Information Services							
3.8.1	Program Information Services							
	– Operating Expense	5,688	–	5,688	–	5,688	6,562	(874)
	– Capital Investment	–	–	–	–	–	235	(235)
	Total Sub-program	5,688	–	5,688	–	5,688	6,797	(1,109)
	Total Program	46,234	–	46,234	450	46,684	44,134	2,550
4.0	Sustainable Agriculture							
4.1	Program Support							
4.1.1	Assistant Deputy Minister	248	–	248	–	248	263	(15)
4.1.2	Amortization of Capital Assets	608	–	608	–	608	497	111
	Total Sub-program	856	–	856	–	856	760	96
4.2	Resource Management and Irrigation							
4.2.1	Administrative Support	238	–	238	–	238	224	14
4.2.2	Environmentally Sustainable Agriculture							
	– Operating Expense	4,757	–	4,757	–	4,757	4,504	253
	– Capital Investment	–	–	–	–	–	8	(8)
4.2.3	Conservation and Development							
	– Operating Expense	2,597	–	2,597	–	2,597	3,137	(540)
	– Capital Investment	–	–	–	–	–	584	(584)
4.2.4	Irrigation							
	– Operating Expense	4,376	–	4,376	–	4,376	4,480	(104)
	– Capital Investment	200	–	200	–	200	138	62
4.2.5	Irrigation Secretariat	285	–	285	–	285	288	(3)
4.2.6	Infrastructure Assistance Irrigation	20,800	–	20,800	–	20,800	26,673	(5,873)
	Total Sub-program	33,253	–	33,253	–	33,253	40,036	(6,783)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2003

Schedule 5 continued

		2002-2003 Estimates	Adjustments (a)	2002-2003 Budget	Authorized Supplementary (b)	2002-2003 Authorized Budget	2002-2003 Actual Expenses (c)	Unexpended (Over Expended)
4.3	Food Safety							
4.3.1	Administrative Support	461	–	461	–	461	492	(31)
4.3.2	Agri-Food Surveillance	2,872	–	2,872	186	3,058	2,343	715
4.3.3	Agri-Food Laboratories							
	– Operating Expense	3,190	–	3,190	24	3,214	3,692	(478)
	– Capital Investment	380	–	380	–	380	1,075	(695)
4.3.4	Regulatory Services	3,972	–	3,972	20	3,992	4,672	(680)
4.3.5	Safe Food Assurance	1,245	–	1,245	13	1,258	1,165	93
4.3.6	Chief Provincial Veterinarian	–	–	–	–	–	266	(266)
	Total Sub-program	12,120	–	12,120	243	12,363	13,705	(1,342)
4.4	Technical Services							
4.4.1	Administrative Support	198	–	198	–	198	239	(41)
4.4.2	Animal Welfare	1,091	–	1,091	75	1,166	1,220	(54)
4.4.3	Engineering Services							
	– Operating Expense	2,443	–	2,443	260	2,703	3,550	(847)
	– Capital Investment	–	–	–	–	–	25	(25)
4.4.4	Livestock Operations							
	– Operating Expense	1,405	–	1,405	57	1,462	1,547	(85)
	– Capital Investment	–	–	–	–	–	18	(18)
4.4.5	Livestock Expansion and Development	433	–	433	–	433	303	130
	Total Sub-program	5,570	–	5,570	392	5,962	6,902	(940)
	Total Program	51,799	–	51,799	635	52,434	61,403	(8,969)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2003

Schedule 5 continued

		2002-2003 Estimates	Adjustments (a)	2002-2003 Budget	Authorized Supplementary (b)	2002-2003 Authorized Budget	2002-2003 Actual Expenses (c)	Unexpended (Over Expended)
5.0	Agriculture Insurance and Lending Assistance							
5.0.1	Lending Assistance	9,424	–	9,424	2,473	11,897	11,880	17
5.0.2	Farm Income Disaster	49,674	–	49,674	72,054	121,728	104,359	17,369
5.0.3	Crop Insurance	62,738	–	62,738	18,762	81,500	80,818	682
5.0.4	Wildlife Damage	1,985	–	1,985	2,248	4,233	3,577	656
	Total Program	123,821	–	123,821	95,537	219,358	200,634	18,724
	Dedicated Revenue Shortfall (Schedule 2)	–	(987)	(987)	–	(987)	–	(987)
	Total Voted Expenses	$305,290	$(987)	$304,303	$445,922	$750,225	$740,110	$10,115
	Program Operating Expense	$287,404	$(987)	$286,417	$445,922	$732,339	$721,336	$11,003
	Program Operating Expense funded by Lotteries	16,620	–	16,620	–	16,620	15,932	688
		304,024	(987)	303,037	445,922	748,959	737,268	11,691
	Program Capital Investment	1,266	–	1,266	–	1,266	2,842	(1,576)
		$305,290	$(987)	$304,303	$445,922	$750,225	$740,110	$10,115
Statutory Expenses –								
	Valuation Adjustments	$ –	$ –	$ –	$ –	$ –	$ (319)	$ 319

(a) Adjustments include dedicated revenue shortfalls.

(b) Supplementary Estimates were approved on December 4, 2002 and March 10, 2003. Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act.

(c) Includes achievement bonus amounting to $1,426.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Salary and Benefits Disclosure for the Year Ended March 31, 2003

Schedule 6

	Salary [1]	2003 Benefits & Allowances [2]	Total	2002 Total
Department				
Senior Official				
Deputy Minister[3] [4]	$176,573	$53,673	$230,246	$205,161
Executives - Assistant Deputy Ministers				
Planning and Competitiveness [4]	139,303	34,958	174,261	113,332
Industry Development[4]	146,496	40,988	187,484	155,832
Sustainable Agriculture[4]	142,251	38,608	180,859	160,725
Executives – other				
Exec. Director, Administration [4] [5]	134,702	38,452	173,154	145,955
Exec. Director, Information Division [4]	117,216	42,987	160,203	127,902
Boards and Agencies				
Senior Officials				
Farmers' Advocate	95,858	5,657	101,515	100,191
General Manager, Agricultural Products Marketing Council [4] [5]	96,439	21,657	118,096	103,815

Prepared in accordance with Treasury Board Directive 12/98.

Total salary and benefits relating to a position are disclosed.

[1] Salary includes regular base pay, bonuses and lump sum payments.

[2] Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, WCB premiums, professional memberships and tuition fees.

[3] Automobile provided, no dollar amount included in benefits and allowances figures.

[4] Benefits and allowances include vacation payments to the Deputy Minister $4,525 (2002 - $2,583), Assistant Deputy Minister - Planning and Competitiveness $0 (2002 - $2,094), Assistant Deputy Minister - Industry Development $2,479 (2002 - $2,270), Assistant Deputy Minister - Sustainable Agriculture $2,376 (2002 - $2,284), Executive Director, Administration $5,045 (2002 - $0), Executive Director, Information Division $15,885 (2002 - $0), General Manager, Agricultural Products Marketing Council $4,310 (2002 - $1,073).

[5] The position was occupied by two individuals through the year.

Department of Agriculture, Food and Rural Development – Schedule of Related Party Transactions for the Year Ended March 31, 2003

Schedule 7

(In thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
Revenues –				
Grants	$ –	$ –	$16,620	$11,620
Fees and charges	–	–	36	4
Other	–	282	702	905
	$ –	$ 282	$17,358	$12,529
Expenses (directly incurred) –				
Grants	$200,811	$150,088	$ 63	$ 158
Other services	–	–	7,241	6,883
	$200,811	$150,088	$ 7,304	$ 7,041
Net capital assets transferred to other entities	$ –	$ –	$ –	$ 59

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
Expenses (incurred by others) –				
Accommodation	$ –	$ –	$11,704	$ 9,724
Legal	–	–	238	176
	$ –	$ –	$11,942	$ 9,900

Note: The Department receives services under contracts managed by the Ministry of Government Services (ACSC). Any commitments under these contracts are reported by the Ministry of Government Services (ACSC).

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Allocated Costs for the Year Ended March 31, 2003

Schedule 8

(In thousands)

	2003						2002
		Expenses – Incurred by Others		Valuation Adjustments			
	Expenses [1]	Accommodation Costs	Legal Services	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses
Program							
Industry development	$ 42,988	$ 4,419	$ 28	$(630)	$ 5	$ 46,810	$ 47,258
Sustainable agriculture	32,882	3,788	74	304	–	37,048	33,765
Planning and competitiveness	32,337	2,036	92	(74)	25	34,416	32,520
Infrastructure assistance	26,988	–	–	–	–	26,988	24,058
Ministry support services	17,773	1,461	53	78	–	19,365	22,891
Agriculture assistance							
Farm income assistance program	353,654	–	–	(27)	–	353,627	403,795
Farm income disaster program	104,359	–	–	–	–	104,359	60,852
Crop insurance	80,818	–	–	–	–	80,818	75,255
Farm fuel distribution allowance	30,012	–	–	–	–	30,012	30,998
Lending assistance	11,880	–	–	–	–	11,880	12,130
Wildlife damage	3,577	–	–	–	–	3,577	1,669
	$737,268	$11,704	$247	$(349)	$30	$748,900	$745,191

[1] Expenses - directly incurred per the Statement of Operations, excluding valuation adjustments.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2003 and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 16, 2003

Balance Sheet as at March 31, 2003

(in thousands)

	2003	2002 (Restated)
Assets		
Cash *(Note 2(a))*	$ 117,046	$ 16,387
Accounts receivable *(Note 4)*	17,353	15,023
Due from Province of Alberta	50,946	24,765
Due from Government of Canada	79,381	43,599
Due from Crop Reinsurance Fund of Canada for Alberta	15,977	–
Loans receivable *(Notes 2(d), 5)*	966,121	959,025
Investments *(Note 6)*	104,815	372,983
Property, plant and equipment *(Note 7)*	18,510	17,504
	$1,370,149	**$1,449,286**
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 27,159	$ 23,738
Estimated indemnities payable *(Notes 2(d), 8)*	164,247	77,335
Advance from Province of Alberta *(Note 9)*	110,000	–
Allowance for losses on loan guarantees *(Note 15)*	1,492	1,665
Notes payable *(Note 10)*	903,213	901,064
Deferred revenue *(Note 11)*	31,617	23,847
	1,237,728	1,027,649
Surplus	132,421	421,637
	$1,370,149	**$1,449,286**

Contingencies and commitments *(Note 15)*

The accompanying notes and schedules are part of these financial statements.

Statement of Revenue, Expense and Surplus for the Year Ended March 31, 2003

(in thousands)

	2003 Budget (Note 3(a))	2003 Actual (Schedule 1)	2002 Actual (Restated)
Revenue			
Premiums from insured persons, net	$ 80,078	$ 91,314	$ 58,887
Interest	81,595	72,455	73,736
Contribution from Province of Alberta, net	117,418	192,999	144,256
Contribution from Government of Canada, net	105,398	147,749	86,623
Investment income	20,350	28,161	33,505
Fees and other income	2,960	2,760	8,196
Amortization of loan discounts	638	864	901
	408,437	**536,302**	406,104
Expense			
Indemnities, net	275,032	888,416	335,679
Administration *(Schedule 2)*	50,768	47,544	47,637
Interest	55,570	47,197	52,988
Farm loan incentives	6,418	6,401	5,973
Provision for doubtful accounts and for losses *(Note 14)*	5,248	3,504	4,708
Adjusting, net	6,129	2,771	4,653
Selling commissions	2,254	1,317	1,472
	401,419	**997,150**	453,110
(Deficiency) surplus of revenue over expense before recoveries	7,018	(460,848)	(47,006)
Net recoveries	–	171,632	(38)
(Deficit) surplus for the year	**$ 7,018**	**(289,216)**	(47,044)
Surplus at beginning of year		421,637	468,681
Surplus at end of year		**$132,421**	**$421,637**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2003

(in thousands)

	2003	2002
Operating Activities		
Deficit for the year	$(289,216)	$ (47,044)
Changes not affecting cash	(5,138)	(1,818)
Changes in assets and liabilities relating to operations	133,132	(30,170)
Net cash utilized by operating activities [1]	**(161,222)**	(79,032)
Investing Activities		
Proceeds from repayments of loans receivable and sale of properties	153,438	141,821
Loan disbursements	(163,658)	(175,382)
Purchase of investments	(531,521)	(605,815)
Proceeds on disposal of investments	804,847	650,678
Purchase of property, plant and equipment	(4,577)	(2,807)
Proceeds on disposal of property, plant and equipment	106	40
Net cash provided by investing activities	**258,635**	8,535
Financing Activities		
Borrowing from the Province of Alberta	875,288	1,510,100
Repayment of borrowing from the Province of Alberta	(873,008)	(1,475,574)
Government of Canada funding for property, plant and equipment	413	482
Province of Alberta funding for property, plant and equipment	553	1,751
Net cash provided by financing activities	**3,246**	36,759
Net increase (decrease) in cash from operating, investing and financing activities	**100,659**	(33,738)
Cash at beginning of year	16,387	50,125
Cash at end of year	**$ 117,046**	**$ 16,387**

[1] Net cash provided by operating activites includes $47,436,000 (2002 $52,605,000) of interest paid.

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2003

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the Agriculture Financial Services Act, Chapter A-12 RSA 2000. Effective April 1, 2002, Alberta Opportunity Company merged with the Corporation pursuant to Part 3 of the Agriculture Financial Services Act.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to beginning farmers, commercial lending, crop insurance, hail insurance and farm income disaster payments. It also delivers other programs and services including loans to developing farmers, disaster loans, loan guarantees, and business planning/counseling. The Corporation originates and administers agribusiness loans in Alberta for Farm Credit Canada.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(a) Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

(b) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(c) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Computer equipment	5 years
Software development costs	10 years
Equipment and furniture	10 years
Vehicles	5 years

(d) Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Estimated indemnities payable, recorded as $164,247,000 in these financial statements, is subject to measurement uncertainty. Estimated indemnities payable consist of known liabilities payable at the year end and additional liabilities estimated by management based on historical information and current economic indicators.

The Farm Income Disaster Program may pay a farm business when it experiences a disastrous drop in margins on farm operations. Subject to certain conditions, if the program margin for the farming business falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. The majority of applications are received after the Corporation's fiscal year end which is the main contributing factor to measurement uncertainty.

The Corporation has recorded a liability to provide for estimated indemnities payable under the Farm Income Disaster Program (see Note 8). Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of applications are received. It is also difficult to predict the estimated indemnities payable because of the wide variation in the impact disasters have on individual program margins. The estimated indemnities payable may be as low as $119,000,000 or as high as $199,500,000. Indemnities payable under the Program are limited to a maximum of $200,000,000 for claims from producers who have year ends in any fiscal year.

Note 2 continued

Loans receivable, recorded as $966,121,000 in these financial statements, are subject to measurement uncertainty. Loans receivable have been reduced by a provision of $39,779,000 for estimated losses on loans. The provision estimated by management (see Note 2(k)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

(e) Notes Payable

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

(f) Fair Value of Financial Instruments

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Due from Crop Reinsurance Fund of Canada for Alberta, Accounts payable and accrued liabilities, Estimated indemnities payable, and Advance from Province of Alberta. Fair values of Loans receivable, Investments and Notes payable are disclosed in their respective notes.

(g) Reinsurance Ceded

Premiums from insured persons, Contributions from the Province of Alberta, Contributions from the Government of Canada, Indemnities and Adjusting are recorded net of amounts ceded to or recoverable from reinsurers (see Note 12). Estimates of amounts recoverable from reinsurers on indemnities and adjusting expenses are recorded in Accounts Receivable.

(h) Loan Discounting

Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster program, and amounts previously deferred under the Indexed Deferral Plan have been discounted because they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(i) Revenue Recognition

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for property, plant and equipment acquisitions are recorded as deferred revenue until that revenue is recognized on the same basis as those property, plant and equipment costs are amortized.

Loan application fees are recognized when the application is received. Loan fees are recognized when received which is after approval but prior to the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(j) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(k) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

Note 2 continued

The majority of the Corporation's loan portfolio is with beginning and developing business operations and hence, is subject to high risk. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages and applies them to loans receivable balances categorized into risk pools. Risk pools are established based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

(l) Transactions with Related Parties

All related party transactions have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 17).

(m) Merger with Alberta Opportunity Company

Alberta Opportunity Company assets, liabilities, surplus, revenue and expenses at net book value for 2002 have been reclassified where necessary and combined with the Corporation's results to conform and make the comparables meaningful (see Note 19).

Note 3 Financial Structure

(a) Budget

The budget was authorized through the Legislative Assembly which reflects contributions from the Province of Alberta of $123,821,000. The budgeted contribution from the Province of Alberta was adjusted by $6,403,000 for ceded reinsurance and deferred revenue.

The Board of Directors of the Alberta Opportunity Company and the Corporation approved the budgets of the respective organization prior to the merger.

(b) Insurance, Safety Net and Compensation Programs

Programs administered by the Corporation are funded as follows:

	Premiums	Indemnities	Administration Costs
Crop Insurance Coverage up to 50%[1] of risk	20% Producers 40% Alberta 40% Canada	Premiums, Crop Insurance Fund, Private Sector Reinsurance and Government Reinsurance Funds	50% Alberta[3] 50% Canada[3]
Coverage greater than 50% and Hail Endorsement	50% Producers 27% Alberta 23% Canada		
Farm Income Disaster	N/A	58% Alberta[2] 42% Canada[2]	42% Alberta 58% Canada
Hail Insurance	100% Producers	Premiums, Private Sector Reinsurance and Hail Insurance Fund	100% Producers
Wildlife Compensation	N/A	60% Alberta 40% Canada	50% Alberta[3] 50% Canada[3]

(1) Coverage does not include hail endorsement.

(2) Based on the Federal-Provincial Agreement, the Government of Canada and the provincial governments have agreed to fund an agricultural disaster program called the Canadian Farm Income Program (CFIP). It has been further agreed that Alberta's Farm Income Disaster Program (FIDP) will be used to deliver the majority of this assistance in Alberta. Federal funding is subject to an annual cap which could result in Canada paying a lower share of indemnities.

(3) Administration costs are offset by fees and other income before Government of Canada and Province of Alberta funding is provided.

Note 3 continued

The Crop Insurance program is administered in accordance with the Canada Alberta Crop Insurance Agreement. The agreement determines what adequate balances are for the crop insurance and reinsurance funds to keep the program actuarially sound over the longer term, the percentage of premiums to be transferred to these funds if required and how indemnities are paid from each of these funds. During the years ended March 31, 2002 and March 31, 2003, no premium transfers were required by the agreement because fund balances were deemed adequate to meet indemnity payments.

(c) Provincial Crop Fund Balance

The Crop Insurance Program includes premiums, premiums ceded to reinsurers, investment income, indemnities and reinsurance recoveries on indemnities which are not part of the national program described in the Canada Alberta Crop Insurance Agreement. Therefore, there are two parts to the fund balance, the fund balance of the national program and the fund balance related to the funds which are not a part of the national program. This latter fund balance, or provincial fund, is $75,402,000 (2002 $47,322,000). This provincial fund balance is not included in the determination of premium transfers to the reinsurance funds (see note 3(b)).

(d) Crop Fund Balance Restriction

In accordance with the Canada Alberta Crop Insurance Agreement, the crop insurance fund is restricted to being used for crop insurance purposes.

(e) Lending Programs

The Corporation's loans are funded by short and long-term borrowing from the Province of Alberta. An agreement with the Province provides for the Corporation to obtain financing from the Province on the same terms at which the Province borrows that money. The Corporation has a maximum line of credit of $1,200,000,000. The Corporation's lending operations are funded by customers and by contributions from the Province of Alberta.

(f) Other Revenue and Expenses

The Other column in the Schedule of Revenue, Expense and Surplus includes the wildlife program, and consulting fees and expenses that are not attributable to any of the programs disclosed in the Schedule.

Note 4 Accounts Receivable

	2003	2002
	(in thousands)	
Premiums from insured persons:		
Crop insurance program	$17,450	$10,365
Hail insurance program	128	51
Due from Reinsurers	42	4,899
Other	768	800
	18,388	16,115
Less allowances for doubtful accounts (Note 14)	(1,035)	(1,092)
	$17,353	$15,023

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2003				2002
	Recorded Investment	Specific Allowance	General Allowance	Net Carrying Value	Net Carrying Value
			(in thousands)		
Farm lending	$817,031	$2,330	$25,235	$789,466	$736,616
Commercial lending	170,515	4,628	7,586	158,301	153,432
	$987,546	$6,958	$32,821	947,767	940,048
Accrued interest				24,680	25,752
Accrued incentives				(2,672)	(2,677)
Loan discounts				(3,654)	(4,098)
				$966,121	$959,025

Impaired loans included in the preceding schedule:

	2003			2002
	Recorded Investment	Specific Allowance	Net Carrying Value	Net Carrying Value
		(in thousands)		
Commercial lending	$13,191	$4,628	$ 8,563	$ 9,843
Farm lending	7,655	2,330	5,325	5,173
	$20,846	$6,958	$13,888	$15,016

The impaired loans balance includes property held for sale which has been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of $1,409,000 (2002 $1,782,000) on property balances outstanding of $2,738,000 (2002 $2,532,000).

Loans receivable does not include prepaid balances $15,918,000 (2002 $15,402,000) which are included in Accounts payable and accrued liabilities.

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2003	2002
	(in thousands)	
Alberta Farm Income Disaster loans	$40,579	$45,540
Alberta Disaster Assistance Loan program	15,869	–
Indexed Deferral Plan	3,186	4,512
	$59,634	$50,052

The approximate fair value of loans receivable at March 31, 2003 is $951,297,000 (2002 $945,569,000). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Note 6 Investments

	2003	2002
	(in thousands)	
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 19,853	$225,134
Other provincial direct and guaranteed	45,058	86,476
	64,911	311,610
Corporate securities	38,305	55,695
	103,216	367,305
Accrued interest	1,599	5,678
	$104,815	$372,983

The fair value of investments at March 31, 2003 is $106,801,000 (2002 $374,933,000). Fair value is based on quoted market prices including accrued interest.

Note 7 Property, Plant and Equipment

	Cost	2003 Accumulated Amortization	Net Book Value	2002 Net Book Value
		(in thousands)		
Software development costs	$18,659	$ 6,677	$11,982	$11,897
Computer equipment	6,161	4,259	1,902	1,869
Equipment and furniture	3,595	1,567	2,028	1,091
Building	2,974	1,171	1,803	1,864
Vehicles	1,336	821	515	500
Land	280	–	280	280
Leasehold improvements	–	–	–	3
	$33,005	$14,495	$18,510	$17,504

Software development costs include $2,308,000 (2002 $384,000) of costs incurred that are not amortized because they are still in the developmental stage.

Note 8 Estimated Indemnities Payable

	2003	2002
	(in thousands)	
Farm Income Disaster program	$131,679	$74,117
Crop insurance	30,580	2,824
Wildlife compensation	1,960	160
Hail insurance	28	234
	$164,247	$77,335

Note 9 Advance From Province of Alberta

The advance from the Province of Alberta of $110,000,000 represents an amount repayable without interest by the Corporation as and when future cash flows permit.

Note 10 Notes Payable

Notes payable to the Province of Alberta are comprised of the following:

	Calendar Year of Maturity	Weighted Average Interest Rate	2003	2002
			(in thousands)	
Short-term notes	2002-2004	3.19%	$ 52,147	$110,769
Note payable 01	2011	7.64%	17,365	18,772
Note payable 02	2010	5.58%	36,836	40,413
Note payable 03	2013	5.43%	37,772	40,380
Note payable 04	2013	5.84%	27,031	28,852
Note payable 05	2016	6.52%	87,767	91,727
Note payable 06	2010	5.94%	22,442	23,502
Note payable 07	2016	5.93%	82,526	90,407
Note payable 08A	2016	5.86%	45,116	47,260
Note payable 08B	2002	5.46%	–	12,216
Note payable 09	2011	5.56%	138,830	149,655
Note payable 10	2005	5.23%	24,154	24,589
Note payable 11	2003	4.79%	25,070	25,782
Note payable 12	2004	5.05%	25,374	25,677
Note payable 13A	2016	5.99%	45,622	47,767
Note payable 13B	2003	5.25%	–	14,169
Note payable 14	2004	4.94%	24,926	24,884
Note payable 15A	2006	5.54%	24,758	24,701
Note payable 15B	2003	5.41%	9,980	9,955
Note payable 16	2005	3.64%	50,000	–
Note payable 17	2007	4.15%	25,000	–
Note payable 18	2004	3.10%	24,128	–
Note payable 19A	2016	5.04%	26,365	–
Note payable 19B	2004	5.33%	5,998	5,996
Note payable 23B	2004	6.15%	5,962	5,944
Note payable 25B	2005	5.23%	14,491	14,728
Note payable 27B	2006	5.54%	9,902	9,880
			889,562	888,025
Accrued interest			13,651	13,039
			$903,213	$901,064

Notes Payable include net unamortized discounts of $3,228,000 (2002 $3,337,000).

Note 10 continued

Principal repayments due in each of the next five years are as follows:

	(in thousands)
Year ending March 31, 2004	$149,974
2005	$134,972
2006	$129,985
2007	$ 95,609
2008	$ 82,331

The approximate fair value at March 31, 2003 is $923,957,000 (2002 $908,670,000). Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. They include the following:

(a) a liquidity premium to reflect that there is a limited pool of these securities for trading in the market, they would be new to the market and are not direct issues of the Province,

(b) a factor to reflect the blended payment structure of the notes.

Note 11 Deferred Revenue

	2003	2002
	(in thousands)	
Premiums from insured persons	$19,398	$10,023
Province of Alberta property, plant and equipment	7,464	8,487
Government of Canada property, plant and equipment	4,755	5,271
Deferred Guarantee Revenue	–	66
	$31,617	$23,847

Note 12 Reinsurance

In addition to the protection provided by the crop insurance and crop reinsurance funds and the hail insurance fund, the Corporation has obtained reinsurance from non-government sources. For Crop Insurance, the Corporation reinsured a maximum of $146,670,000 of the risk. For Hail Insurance, the Corporation reinsured a maximum of $3,275,000 of the risk.

The figures shown on the Statement of Revenue, Expense and Surplus are net of the following amounts relating to reinsurance ceded to reinsurers.

Note 12 continued

	2003 Crop Insurance	2002 Crop Insurance	2003 Hail Insurance	2002 Hail Insurance
		(in thousands)		
Gross premiums from insured persons	$ 95,976	$ 78,841	$13,436	$15,397
Premium discounts/rebates	(3,140)	(25,431)	(4,132)	(3,322)
Ceded to reinsurers	(10,547)	(6,294)	(279)	(304)
Premiums from insured persons, net	$ 82,289	$ 47,116	$ 9,025	$11,771
Premium contributions from Province of Alberta	$ 69,715	$ 65,009	$ –	$ –
Contribution for administration and adjusting expenses	11,617	10,703	–	–
	81,332	75,712	–	–
Ceded to reinsurers	(8,657)	(5,578)	–	–
Contribution from Province of Alberta, net	$ 72,675	$ 70,134	$ –	$ –
Premium contributions from Government of Canada	$ 65,249	$ 41,785	$ –	$ –
Contribution for administration and adjusting expenses	11,401	10,703	–	–
	76,650	52,488	–	–
Ceded to reinsurers	(7,578)	(3,805)	–	–
Contribution from Government of Canada, net	$ 69,072	$ 48,683	$ –	$ –
Gross premiums from all sources	$230,940	$185,635	$13,436	$15,397
Gross indemnities	$803,779	$274,125	$10,209	$11,182
Reinsurance recoveries	(108,006)	(41,611)	–	–
Indemnities, net	$695,773	$232,514	$10,209	$11,182
Gross adjusting expenses	$ 7,780	$ 5,891	$ 172	$ 389
Reinsurance recoveries	(5,400)	(1,951)	–	–
Adjusting, net	$ 2,380	$ 3,940	$ 172	$ 389

Note 13 Pensions

The Corporation participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,370,000 for the year ended March 31, 2003 (2002 $1,284,000).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968,000 (2001 surplus $5,338,000) and the Public Service Pension Plan reported an actuarial deficiency of $175,528,000 (2001 actuarial surplus $320,487,000). At December 31, 2002, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,152,000 (2001 deficiency $399,000).

Note 14 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Farm Lending Loans Receivable	Commercial Lending Loans Receivable	Loan Guarantees (Note 15)	Total
			(in thousands)		
Allowances at March 31, 2001	$ 133	$22,624	$15,389	$1,961	$40,107
Provision for 2001-02	949	3,620	435	(296)	4,708
Write-offs in 2001-02, net of recoveries	10	(1,099)	(3,244)	–	(4,333)
Allowances at March 31, 2002	1,092	25,145	12,580	1,665	40,482
Provision for 2002-03	(36)	3,138	575	(173)	3,504
Write-offs in 2002-03, net of recoveries	(21)	(718)	(941)	–	(1,680)
Allowances at March 31, 2003	$1,035	$27,565	$12,214	$1,492	$42,306

Note 15 Contingencies and Commitments

	2003	2002
	(in thousands)	
Loan guarantees	$46,263	$52,992
Less allowances for losses (Note 14)	(1,492)	(1,665)
	44,771	51,327
Legal actions	1,100	16,906
Total contingencies	$45,871	$68,233

Contingencies under the Alberta Farm Development Loans program comprise $33,125,000 (2002 $39,081,000) of the loan guarantees. Loans made by other financial institutions outstanding under this program at March 31, 2003 were $83,829,000 (2002 $99,617,000). The outcome of the legal actions is not determinable at this time.

	2003	2002
	(in thousands)	
Estimated farm loan incentives	$17,774	$19,427
Approved undisbursed loans	34,390	37,855
Reinsurance	31,801	30,800
Operating leases	3,230	2,840
Total commitments	$87,195	$90,922

The operating lease commitments are for accommodations with terms up to five years.

Note 16 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies.

Lending staff manage the Corporation's significant credit risk exposure in the beginning and developing business loans by monitoring accounts very closely. This enables the Corporation to counsel owners of businesses to take quick action if problems start to occur and enables the Corporation to take prompt action to realize on its security. Security requirements for individual loans reflect the degree of risk in each particular operation. Enterprises needing specialized and customized equipment, or those involved with new and emerging business, are required to have significantly higher security margins than enterprises in more traditional businesses. Although these measures do not eliminate the risk, they do reduce the risk of significant losses if there is a province-wide economic downturn.

Note 16 continued

The Corporation, through its reinsurance broker, monitors the concentration of credit risk for the insurance contract it holds with each reinsurer (see Note 12) and evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored by insurance staff and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

(b) Interest Risk

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of loans made as closely as practical. Longer term repayments are partially financed by funding from other sources and surplus.

Interest rates are fixed for the life of Beginning Farmer loans, the major portion of the Corporation's loan portfolio. The Corporation does not set these rates to reflect the cost of money in the market. To maintain the current interest rate for future Beginning Farmer loans if there are significant increases in market interest rates, increases in the contribution from the Province will be required.

The following provides a breakdown of the gaps between the notes payable and the loan portfolio. Because there are no early repayment penalties on most loan programs, the gap analysis includes an adjustment for expected repayments based on historical patterns.

	Term to Maturity [1]				Not Interest Rate Sensitive [2]	2003 Total	2002 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	(in thousands)						
Farm loans	$ 56,600	$239,533	$255,770	$253,286	$ 4,714	$809,903	$806,963
Yield [3]	7.10%	7.24%	7.31%	7.38%	–	7.25%	7.30%
Commercial loans	$ 45,094	$109,723	$ 795	$ –	$ 606	$156,218	$152,062
Yield [3]	7.70%	7.95%	7.63%	–	–	7.84%	10.13%
Total	$101,694	$349,256	$256,565	$253,286	$ 5,320	$966,121	$959,025
Yield [3]	7.20%	7.30%	7.31%	7.38%	–	7.29%	7.74%
Notes payable Province of Alberta	$149,974	$442,897	$217,550	$ 82,432	$10,360	$903,213	$901,064
Yield [3]	5.80%	6.11%	6.61%	6.33%	–	6.13%	6.21%
Net gap before prepayment adjustment	$(48,280)	$(93,641)	$ 39,015	$170,854	$(5,040)	$ 62,908	$ 57,961
Estimated prepayment	48,350	68,667	(23,696)	(93,321)	–	–	–
Net gap	$ 70	$(24,974)	$ 15,319	$ 77,533	$(5,040)	$ 62,908	$ 57,961

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2003. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2003 an immediate and sustained increase in interest rates of 1% would increase net interest paid by $112,000 and would increase the net fair market value of loans and financing for the next fiscal year by $10,686,000 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net interest paid and would decrease the net fair market value of loans and financing by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

The Corporation's Investment Policy is set with terms that attempt to anticipate the expected future cash flows of the Crop Insurance and Hail Insurance funds. The expected future cash flows are based on historical information modified for current factors that may impact historical results.

Note 16 continued

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]					
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	2003 Total	2002 Total
			(in thousands)			
Bonds and debentures	$ –	$41,196	$11,861	$11,854	$ 64,911	$311,610
Yield [3]	–	4.92%	5.34%	6.02%	5.19%	5.15%
Corporate securities	–	38,305	–	–	38,305	55,695
Yield [3]	–	5.27%	–	–	5.27%	6.07%
	–	79,501	11,861	11,854	103,216	367,305
Accrued interest	–	1,169	239	191	1,599	5,678
	$ –	$80,670	$12,100	$12,045	$104,815	$372,983

[1] For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual or annual installments of principal. For investments, term to maturity classifications are based on contractual maturity date of the security.

[2] Includes property held for sale, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

[3] For loans and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

Note 17 Related Party Transactions

Sufficient information is provided throughout the statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2003	2002
	(in thousands)	
Interest expense – Province of Alberta	$47,196	$52,942
Administration expense – Province of Alberta	2,368	2,814

Note 18 Crop Reinsurance Funds

In accordance with the Canada Alberta Crop Insurance Agreement, two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 3(b)).

Contributions to and withdrawals from the provincial reinsurance fund are consolidated with the crop insurance fund in the Corporation. The following transactions and balances are calculated according to the Canada Alberta Crop Insurance Agreement.

	Crop Reinsurance Fund of Alberta	
	2003	2002
	(in thousands)	
Opening surplus	$ 53,518	$53,518
Contributions	–	–
	53,518	53,518
Withdrawals	(98,407)	–
Closing (deficit) surplus	$(44,889)	$53,518

Note 18 continued

The Crop Reinsurance Fund of Alberta was not previously consolidated with the crop insurance fund. The retroactive consolidation resulted in the 2002 figures being restated as follows:

	As Previously Reported	Change	Restated
		(in thousands)	
Due to Crop Reinsurance Fund of Alberta	$ 53,518	$(53,518)	$ –
Surplus at beginning of year	415,163	53,518	468,681
Surplus at end of year	368,119	53,518	421,637

Contributions to the federal reinsurance fund are expensed and withdrawals are recorded as recoveries by the Corporation. The following is a summary of transactions in the Crop Reinsurance Fund of Canada for Alberta.

	Crop Reinsurance Fund of Canada for Alberta	
	2003	2002
	(in thousands)	
Opening surplus	$ 77,225	$77,225
Contributions	–	–
	77,225	77,225
Recoveries by the Corporation	(171,632)	–
Closing (deficit) surplus	$ (94,407)	$77,225

Note 19 Merger with Alberta Opportunity Company

The net book value of the assets, property and liabilities assumed by the Corporation on April 1, 2002 due to the merger were as follows:

	(in thousands)
Cash	$ 4,185
Accounts receivable	16
Loans receivable	122,903
Property, plant and equipment	1,156
Accounts payable and accrued liabilities	(1,560)
Notes payable	(83,655)
Deferred revenue	(66)
	$ 42,979

Obligations assumed by the Corporation are as follows:

	(in thousands)
Commitments	$12,159
Contingencies	5,963
	$18,122

Note 20 Comparative Figures

The 2002 figures have been reclassified and restated where necessary to conform to 2003 presentation.

Agencies/Funds

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2003

Schedule 1

(in thousands)

	2003 Crop Insurance	2002 Crop Insurance (Restated)	2003 Farm Income Disaster	2002 Farm Income Disaster	2003 Farmer Lending	2002 Farmer Lending	2003 Commercial Lending	2002 Commercial Lending
Revenue:								
Premiums from insured persons, net (Note 12)	$ 82,289	$ 47,116	$ –	$ –	$ –	$ –	$ –	$ –
Interest	222	146	20	3	58,562	58,579	13,620	14,943
Contribution from Province of Alberta, net (Note 12)	72,675	70,134	104,415	60,746	3,290	7,944	9,035	3,755
Contribution from Government of Canada, net (Note 12)	69,072	48,683	76,252	33,398	–	–	–	3,379
Investment income	23,178	28,781	556	532	220	330	212	587
Fees and other income	67	4,589	42	69	911	1,202	1,241	1,408
Amortization of loan discounts	–	–	–	–	856	855	8	46
	247,503	199,449	181,285	94,748	63,839	68,910	24,116	24,118
Expense:								
Indemnities, net (Note 12)	695,773	232,514	176,653	89,372	–	–	–	–
Administration, Schedule 2	19,857	16,914	4,632	5,376	11,290	12,399	10,827	11,694
Interest	–	–	–	–	42,112	47,308	5,085	5,680
Farm loan incentives	–	–	–	–	6,401	5,973	–	–
Provision for doubtful accounts and for losses	(16)	944	–	–	2,997	3,230	543	529
Adjusting, net (Note 12)	2,380	3,940	–	–	–	–	–	–
Selling commissions	–	–	–	–	–	–	–	–
	717,994	254,312	181,285	94,748	62,800	68,910	16,455	17,903
(Deficiency) surplus of revenue over expense before recoveries	(470,491)	(54,863)	–	–	1,039	–	7,661	6,215
Recoverable from Government of Canada (Note 18)	171,632	–	–	–	–	–	–	–
Recoverable by Province of Alberta	–	–	–	–	–	–	–	–
	171,632	–	–	–	–	–	–	–
(Deficit) surplus for the year	(298,859)	(54,863)	–	–	1,039	–	7,661	6,215
Surplus (deficit) at beginning of year	329,372	384,235	–	–	–	–	42,979	36,764
Surplus at end of year	$ 30,513	$329,372	$ –	$ –	$ 1,039	$ –	$50,640	$42,979

Agencies/Funds – continued

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2003

Schedule 1 – continued

(in thousands)

	2003 Hail Insurance	2002 Hail Insurance	2003 Other	2002 Other	2003 Total	2002 Total (Restated)
Revenue:						
Premiums from insured persons, net (Note 12)	$ 9,025	$11,771	$ –	$ –	$ 91,314	$ 58,887
Interest	31	65	–	–	72,455	73,736
Contribution from Province of Alberta, net (Note 12)	–	–	3,584	1,677	192,999	144,256
Contribution from Government of Canada, net (Note 12)	–	–	2,425	1,163	147,749	86,623
Investment income	3,994	3,218	1	57	28,161	33,505
Fees and other income	176	405	323	523	2,760	8,196
Amortization of loan discounts	–	–	–	–	864	901
	13,226	15,459	6,333	3,420	536,302	406,104
Expense:						
Indemnities, net (Note 12)	10,209	11,182	5,781	2,611	888,416	335,679
Administration, Schedule 2	753	1,037	185	217	47,544	47,637
Interest	–	–	–	–	47,197	52,988
Farm loan incentives	–	–	–	–	6,401	5,973
Provision for doubtful accounts and for losses	(20)	13	–	(8)	3,504	4,708
Adjusting, net (Note 12)	172	389	219	324	2,771	4,653
Selling commissions	1,317	1,472	–	–	1,317	1,472
	12,431	14,093	6,185	3,144	997,150	453,110
(Deficiency) surplus of revenue over expense before recoveries	795	1,366	148	276	(460,848)	(47,006)
Recoverable from Government of Canada (Note 18)	–	–	–	244	171,632	244
Recoverable by Province of Alberta	–	–	–	(282)	–	(282)
	–	–	–	(38)	171,632	(38)
(Deficit) surplus for the year	795	1,366	148	238	(289,216)	(47,044)
Surplus (deficit) at beginning of year	49,086	47,720	200	(38)	421,637	468,681
Surplus at end of year	$49,881	$49,086	$ 348	$ 200	$ 132,421	$421,637

Agriculture Financial Services Corporation – Schedule of Administration Expense for the Year Ended March 31, 2003

Schedule 2
(in thousands)

	2003 Budget (Note 3(a))	2003 Actual	2002 Actual
Salaries and benefits (Note 13)	$30,483	$29,298	$30,234
Contracted services	5,633	5,239	4,873
Amortization of capital assets	3,060	3,311	3,012
Office accomodation costs	3,707	3,144	3,329
Stationery and supplies	1,195	989	1,000
Travel and automobile	1,071	960	912
Data processing	761	826	942
Advertising	920	801	774
Professional services	980	620	616
Telecommunications	955	579	511
Directors' fees and expenses	456	488	320
Training, meetings, seminars, conferences	526	417	324
Equipment, rental and maintenance	506	361	349
Postage and freight	265	339	221
Insurance	120	90	94
Grain grading	65	59	53
Bank charges	17	13	56
Collection commissions	48	10	17
	$50,768	$47,544	$47,637

Agencies/Funds – continued

Agriculture Financial Services Corporation – Schedule of Salaries and Benefits for the Year Ended March 31, 2003

Schedule 3

(in thousands)

	Salary and Wages[1]	2003 Benefits and Allowances[2]	Total	2002 Total
Chair	$ 85	$ –	$ 85	$ 49
Board members	253	–	253	153
President and Managing Director	150	62	212[3]	183
Vice-President, Finance	124	54	178	157
Vice-President, Information Technology and Administrative Services	124	54	178	161
Vice-President, Insurance Operations[4]	123	56	179	135
Vice-President, Lending Operations	117	49	166	10[5]
Executive Consultant and Research Director[6]	124	53	177	156

(1) Salary and wages are fees for Chair and Board members and regular base pay for employees.

(2) Benefits and allowances include employer's share of all employee benefits, including health care, flexible health, dental and vision care allowance, group life insurance, pensions, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation, professional memberships, vacation payouts and achievement bonus. No amount is included in benefits and allowances for an automobile provided to the President and Managing Director.

(3) The current President and Managing Director commenced employment on June 1, 2002. An Acting President held that position for the months of April 2002 and May 2002. The salary and benefits includes the current President and Managing Director and the Acting President.

(4) The position of Vice-President, Field Operations was replaced by Vice-President, Insurance Operations effective March 12, 2003.

(5) This is a new position created March 6, 2002. Salary and benefits are for the period March 6, 2002 to March 31, 2002.

(6) The position of Vice-President, Research, Information and Development was replaced by Executive Consultant and Research Director effective March 12, 2003.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development

I have audited the statement of financial position of the Alberta Dairy Control Board as at August 1, 2002 and the statements of operations and changes in net assets and cash flows for the period then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at August 1, 2002 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
CA
Auditor General

Edmonton, Alberta
November 7, 2002

Statement of Operations and Changes in Net Assets for the Four Months Ended August 1, 2002

	Aug. 1, 2002 Budget (Note 10)	Aug. 1, 2002 Actual (4 months)	Mar. 31, 2002 Actual (12 months)
Revenue			
Hauling revenue *(Note 11)*	$ 4,969,159	$ 5,217,138	$ 3,643,208
Producer assessments	239,000	234,473	678,010
Processor assessments	119,000	128,876	326,707
Government contribution to administration costs	61,667	177,000	183,000
Milk coordination revenue	34,800	56,205	96,821
Trade initiative revenue	–	–	52,902
Interest income	15,000	4,233	31,427
Other income	1,500	44,071	16,945
Restricted revenue *(Note 6)*			
Milk price equalization pool	114,555,095	141,010,317	123,437,355
Milk promotion assessment	2,051,100	2,041,673	5,595,622
Alberta Milk Producers membership assessment	3,171,803	317,104	951,331
Nutrition education assessment	126,872	126,289	371,636
	125,344,996	**149,357,379**	135,384,964

continued

continued

Statement of Operations and Changes in Net Assets for the Four Months Ended August 1, 2002

	Aug. 1, 2002 Budget (Note 10)	Aug. 1, 2002 Actual (4 months)	Mar. 31, 2002 Actual (12 months)
Expense			
Hauler fees *(Note 11)*	4,969,159	5,217,138	3,643,208
Salaries and benefits *(Note 8)*	251,000	161,349	923,718
Travel and conference fees	77,000	133,133	223,988
Milk coordination expense	41,000	71,586	119,736
Amortization of capital assets	35,830	28,586	111,767
Data processing	12,000	89,624	102,674
General office	26,500	54,117	92,120
Trade initiative expense	–	–	52,901
Grants	–	5,513	35,846
Loss on disposal of capital assets	–	–	5,969
Restricted expenses *(Note 6)*			
Milk price equalization pool	114,555,095	141,010,317	123,437,355
Alberta Milk Producers – promotion	2,051,100	2,041,673	5,595,622
– membership	3,171,803	317,104	951,331
Dairy Nutrition Council of Alberta	126,872	126,289	371,636
	125,317,359	**149,256,429**	135,667,871
Excess/(deficiency) of revenue over expense for the period	**$ 27,637**	**100,950**	**(282,907)**
Surplus at beginning of period		569,291	852,198
Transfer to Alberta Milk *(Note 4)*		(670,241)	–
Surplus at end of period		**$ –**	**$ 569,291**

The accompanying notes and schedule are part of these financial statements.

Statement of Financial Position as at August 1, 2002

	Aug. 1, 2002 Actual	2001 Actual
Assets		
Current –		
Cash *(Note 3)*	$ –	$16,862,847
Due from processors, producers and others	–	16,857,786
Prepaid expenses	–	4,383
	–	33,725,016
Capital assets *(Note 5)*	–	260,683
	$ –	**$33,985,699**
Liabilities and Net Assets		
Current –		
Accounts payable	$ –	$ 323,365
Deferred contributions *(Note 6)*	–	33,093,043
	–	33,416,408
Net assets	–	569,291
	$ –	**$33,985,699**

The accompanying notes and schedule are part of these financial statements.

Statement of Cash Flows for the Four Months Ended August 1, 2002

	Aug. 1, 2002 Budget (Note 10)	Aug. 1, 2002 Actual (4 months)	Mar. 31, 2002 Actual (12 months)
Operating Activities			
Excess/(deficiency) of revenue over expense for the period	$ 27,637	$ 100,950	$ (282,907)
Add non-cash items –			
Amortization of capital assets	35,830	28,586	111,767
Transfer of capital assets	–	–	5,969
	63,467	**129,536**	(165,171)
Net change in non-cash operating working capital items *(Note 9)*	(12,754,239)	(9,555,953)	12,587,086
Net cash provided (to)/by operating activities	**(12,690,772)**	**(9,426,417)**	12,421,915
Investing Activities –			
Purchase of capital assets	**(38,474)**	**(24,540)**	(73,141)
Net (decrease)/increase in cash	**(12,729,246)**	**(9,450,957)**	12,348,774
Cash at beginning of period	16,862,847	16,862,847	4,514,073
Transfer to Alberta Milk *(Note 4)*	–	(7,411,890)	–
Cash at end of period	**$ 4,133,601**	**$ –**	**$16,862,847**

The accompanying notes and schedule are part of these financial statements.

Notes to the Financial Statements for the Four Months Ended August 1, 2002

Note 1 Authority and Purpose

The Alberta Dairy Control Board (the "Board") operated under the authority of the Dairy Board Act, Chapter D-1, Revised Statutes of Alberta 2000. The Act was repealed August 1, 2002 and the Board dissolved.

The Board was established to control and regulate the sale of milk in Alberta. Its responsibilities covered all three sectors of the dairy industry including fluid milk, industrial milk and cream.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Capital Assets

Capital assets were recorded at cost less accumulated amortization.

They were amortized over the estimated useful lives of the assets on a declining balance basis at the following rates:

Software development	30%
Computer hardware and equipment	20-30%

(b) Pension

The Board participated in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(c) Revenue Recognition

Funds collected in the operation of price equalization pools or under various agreements were restricted contributions subject to externally imposed stipulations that specified the purpose for which the funds were to be used. Restricted contributions were recognized as revenue in the period in which the related expenses were incurred. Restricted contributions received for future expenses were deferred until that future period when they were transferred to revenue. The deferred contributions balance reported in Note 4 represent the amount of restricted contributions that were related to expenses of future periods.

(d) Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Due from processors, producers and others, Due to producers, Accounts payable and Deferred contributions as reported in Note 4 are estimated to approximate their book values.

(e) Due from Processors, Producers and Others

Section 26 (5) of Dairy Board regulations allowed the Board to "net out all amounts payable among processors, producers, and the Dairy Board." As a result, amounts due from processors, producers and others were netted against amounts owing to processors, producers and others.

Note 3 Cash

Cash consisted of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Note 4 Dissolution of Operations

In accordance with the coming into force of Bill 15, Dairy Industry Omnibus Act (2002), Section 1 (16), the rights, assets and liabilities of the Alberta Dairy Control Board became the rights, assets and liabilities of Alberta Milk, an independent Board established under the authority of the *Marketing of Agricultural Products Act*.

The following assets and liabilities were transferred to Alberta Milk as at August 1, 2002:

	Budget	Actual
Assets –		
Cash	$ 4,133,601	$ 7,411,890
Due from processors, producers and others	16,500,000	13,581,023
Prepaid expenses	–	7,000
Capital assets	263,327	256,637
	20,896,928	21,256,550
Liabilities –		
Accounts payable	(300,000)	(150,298)
Deferred contributions	(20,000,000)	(20,436,011)
Net assets transferred to Alberta Milk	$ 596,928	$ 670,241

Note 5 Capital Assets

	August 1, 2002			March 31, 2002
	Cost	Accumulated Amortization	Net	Net
Software development	$483,126	$274,688	$208,438	$231,126
Computer hardware & equipment	116,217	68,018	48,199	29,557
Transferred to Alberta Milk (Note 4)	$599,343	$342,706	$256,637	$260,683

Note 6 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for price equalization, milk promotion, Alberta Milk Producers Society membership, nutrition education purposes and milk transportation.

	August 1, 2002 (4 months)	March 31, 2002 (12 months)
Contributions received –		
Milk price equalization pool	$128,407,813	$151,303,383
Milk promotion	1,995,184	5,642,936
Alberta Milk Producers membership	311,947	951,028
Nutrition education	123,407	371,884
	130,838,351	158,269,231
Transferred to revenue –		
Milk price equalization pool	141,010,317	123,437,355
Milk promotion	2,041,673	5,595,622
Alberta Milk Producers membership	317,104	951,331
Nutrition education	126,289	371,636
	143,495,383	130,355,944
Increase (decrease) during the period	(12,657,032)	27,913,287
Deferred contributions at beginning of period	33,093,043	5,179,756
Deferred contributions transferred to Alberta Milk (Note 4)	$ 20,436,011	$ 33,093,043
The balance consists of funds restricted for –		
Milk price equalization pool	$ 19,851,959	$ 32,454,463
Milk promotion	482,692	529,181
Alberta Milk Producers membership	71,509	76,667
Nutrition education	29,851	32,732
	$ 20,436,011	$ 33,093,043

Under Section 24 of the Dairy Board Regulation, the Board operated a price equalization pool whereby all revenues generated from the processing and sale of milk within Alberta were shared by all Alberta producers in accordance with their quota holdings. Prior to January 1, 2002, processors transferred to the pool balances owing for milk purchases less amounts payable to producers. Commencing January 1, 2002, the Board, acting as agents to processors, assumed the administrative responsibility for payment to Alberta dairy producers. This payment represented each producer's share of the pool less associated marketing expenses.

Effective August 1, 1995, the Board entered into an arrangement with the signatories of the National Milk Marketing Plan. This arrangement provided for the pooling of revenues from sales of milk components in special classes of milk used to service domestic and external markets. The Special Class Pool is administered by the Canadian Dairy Commission (CDC). Based on each province's monthly special class sales, the CDC will either distribute revenue or require a contribution to the national revenue pool.

Effective March 1, 1997, four provinces (Alberta, British Columbia, Saskatchewan, and Manitoba) and the Canadian Dairy Commission entered into the Western Milk Pooling Agreement. The purpose of the agreement was to extend the pooling arrangements within each of the provinces so that all milk revenue was pooled among producers in all four provinces, as if the western provinces constituted a single market. Based on each province's monthly sales, the CDC either distributed revenue or required a contribution to the Western Milk Pool.

The Board collected assessments for milk promotion, Alberta Milk Producers Society membership and nutrition education. Through agreement, funds were disbursed to Alberta Milk Producers and the Dairy Nutrition Council of Alberta to conduct the Board approved activities.

Note 7 Pensions

The Board participated in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension. The Board also participated in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to contributions of $21,764 for the four month period ending August 1, 2002 (2002 - $57,246).

At December 31, 2001, the Management Employee Pension Plan reported a surplus of $5,338,000 (2000 - $170,858,000) and the Public Service Pension Plan reported a surplus of $320,487,000 (2000 - $635,084,000). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399,000 (2000 – surplus $180,000).

Note 8 Salaries and Benefits

	Salaries[1]	August 1, 2002 (4 months) Benefits and Allowances[2]	Total	March 31, 2002 (12 months) Total
Chairman of the Board [3]	$ –	$ –	$ –	$ –
Board Members	16,160	–	16,160	21,736
Policy Committee Members	6,350	–	6,350	4,832
Managing Director	4,322	687	5,009	96,152

(1) Salaries include regular base pay, bonuses, honoraria and lump sum payments.

(2) Benefits and allowances include the Board's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plan, WCB premiums, professional memberships and tuition fees.

(3) Salary and benefit costs for this position were borne by the Industry Development sector of Alberta Agriculture, Food & Rural Development.

Note 9 Net Change in Non-cash Working Capital

Net change in non-cash working capital is calculated as the difference between March 31, 2002 balances and those listed in Note 4. The net change comprises:

	August 1, 2002 (4 months)	March 31, 2002 (12 months)
Due from processors, producers and others	$ 3,276,763	$(15,298,692)
Prepaid expenses	(2,617)	(4,383)
Accounts payable	(173,067)	(23,126)
Deferred contributions	(12,657,032)	27,913,287
	$ (9,555,953)	$ 12,587,086

Note 10 Budget

The April 1, 2002 to August 1, 2002 budget was approved by the Board Members on September 26, 2001.

Note 11 Hauling Revenue and Fees

Commencing January 1, 2002, the Board assumed responsibility for provincial milk coordination of on-farm milk pick-up and payment to milk haulers.

Note 12 Contingent Liability

A claim has been made against the Board by a processor. The claim of $1,500,000 related to potential losses to the processor as a result of an alleged breach of contract and exemplary damages. A defense and counterclaim has been filed on behalf of the Board by Alberta Justice. The case is under court hearing and the outcome cannot be predicted with reasonable certainty at this stage. The resulting loss, if any, from these claims cannot be determined. Alberta Agriculture, Food & Rural Development will continue as a party to this legal action.

Note 13 Approval of Financial Statements

These financial statements were approved by the Board Members.

Agencies/Funds – continued

Alberta Dairy Control Board – Schedule to Financial Statements Allocated Costs for the Four Months Ended August 1, 2002

Schedule

	August 1, 2002 (4 months)				March 31, 2002 (12 months)
		Expenses incurred by others			
	Expenses	Accomodation Costs	Legal Services	Total Expenses	Total Expenses
Dairy Board operating expenses	$ 5,761,046	$11,702	$89,109	$ 5,861,857	$ 5,520,832
Restriced expenses	143,495,383	–	–	143,495,383	130,355,944
	$149,256,429	$11,702	$89,109	$149,357,240	$135,876,776

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Ministers of Agriculture, Food and Rural Development and Finance

I have audited the balance sheet of the Crop Reinsurance Fund of Alberta as at March 31, 2003 and the statement of revenue, expense and fund balance for the year then ended. These financial statements are the responsibility of the management of the Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations for the year then ended in accordance with the Canada-Alberta Crop Insurance Agreement.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 23, 2003

Balance Sheet as at March 31, 2003

(in thousands)

	2003	2002
Assets		
Due from Agriculture Financial Services Corporation	$ –	$53,518
	$ –	**$53,518**
Liabilities and Fund Balance		
Due to Agriculture Financial Services Corporation	$ 44,889	$ –
Fund (deficit) surplus	(44,889)	53,518
	$ –	**$53,518**

The accompanying notes are part of these financial statements.

Statement of Revenue, Expense and Fund Balance for the Year Ended March 31, 2003
(in thousands)

	2003	2002
Revenue	$ –	$ –
Expense	98,407	–
(Deficit) surplus for the year	(98,407)	–
Surplus at beginning of year	53,518	53,518
Fund (deficit) surplus at end of year	**$(44,889)**	**$53,518**

The accompanying notes are part of these financial statements.

Notes to the Financial Statements March 31, 2003

Note 1 Authority

The Crop Reinsurance Fund of Alberta (the Fund) operates under the authority of the Agriculture Financial Services Act, Statutes of Alberta, Chapter A-12 RSA 2000. The Fund is administered by Agriculture Financial Services Corporation (AFSC) on behalf of the Minister of Finance of Alberta and in accordance with the terms of the Canada-Alberta Crop Insurance Agreement entered into under the Act.

Note 2 Purpose

Each year, based on a formula in the Canada-Alberta Crop Insurance Agreement, an agreed portion of crop insurance premiums, collected by AFSC on behalf of the Fund, is set aside in the Fund, if required. In years when indemnities exceed funds available from AFSC's Crop Insurance Fund, the fund is used to pay unsatisfied indemnities.

Note 3 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the Canada-Alberta Crop Insurance Agreement. The significant accounting policies are as follows:

(a) Revenues and expenses are reported on an accrual basis.

(b) The fair value of receivables and payables is estimated to approximate their carrying amount.

(c) Any investment income, including interest, earned by the Fund is recorded as revenue within the Crop Insurance Fund of AFSC in accordance with the terms of the Canada-Alberta Crop Insurance Agreement.

Note 4 Due from/to Agriculture Financial Services Corporation

Cash is not transferred to or from AFSC to the Fund. This results in the receivable or payable always equal to the surplus or deficit. Any surplus in the Fund is invested by the Corporation. Any deficit, in the Fund, is funded by an advance from the General Revenue Fund of the Province of Alberta to AFSC.

Note 5 Fund Deficit

Any deficit in the Fund will be reimbursed by AFSC in accordance with the terms of the Canada-Alberta Crop Insurance Agreement.

Note 6 Approval of the Financial Statements

These financial statements were approved by management of AFSC.

Summary of Financial Information

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2003

The following statement has been prepared pursuant to section 28 of the Financial Administration Act. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs	
Departmental accounts receivable	$ –
Agriculture Financial Services Corporation	1,729,423
Total remissions, compromises and write-offs	**$1,729,423**

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2003

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
Agriculture Financial Services Corporation	$23,966,951	$1,658,624	$5,133
Total guarantees and indemnities given	**$23,966,951**	**$1,658,624**	**$5,133**

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Revenue
Alberta Heritage Savings Trust Fund	Revenue
Alberta Heritage Scholarship Fund	Revenue
Alberta Heritage Science and Engineering Research Endowment Fund	Revenue
Alberta Historical Resources Foundation, The	Community Development
Alberta Insurance Council	Finance
Alberta Municipal Financing Corporation	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Revenue
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Revenue
Alberta Social Housing Corporation	Seniors
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Child and Family Services Authorities:	Children's Services
Awasak Child and Family Services Authority	
Calgary Rocky View Child and Family Services Authority	
Child and Family Services Authority Region 13	
Child and Family Services Authority Region 14	
Diamond Willow Child and Family Services Authority	
Hearthstone Child and Family Services Authority	
Keystone Child and Family Services Authority	
Ma' Mowe Capital Region Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Neegan Awas'sak Child and Family Services Authority	
Ribstone Child and Family Services Authority	
Sakaigun Asky Child and Family Services Authority	
Sakaw-Askiy Child and Family Services Authority	
Silver Birch Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Sun Country Child and Family Services Authority	
West Yellowhead Child and Family Services Authority	
Windsong Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Energy	Energy

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Learning	Learning
Department of Revenue	Revenue
Department of Seniors	Seniors
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[1]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[1]	Economic Development
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure[1]	Infrastructure
Ministry of Innovation and Science	Innovation and Science

[1] Ministry includes only the department so separate department financial statements are not necessary.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations
Ministry of Justice[1]	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Revenue	Revenue
Ministry of Seniors	Seniors
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Transportation[1]	Transportation
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Boards:	Community Development
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Michener Centre Facility Board[2]	
Northeast Region Community Board	
Northwest Region Community Board	
Provincial Board	
South Region Community Board	
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation, The	Community Development

[1] Ministry includes only the department so separate department financial statements are not necessary.
[2] Dissolved July 23, 2002

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan – Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Provincial Judges and Masters in Chambers	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment